

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Tuesday July 16 1985

D 8523 B

Apartheid: now the
U.S. Senate
fans the flames, Page 14

Australia	Sch 19	Indonesia	Re 2500	Paraguay	Las 80
Belgium	De 3 650	Italy	Li 1200	S. Africa	Ra 6.20
Canada	US 1.21	Japan	Yen 160	Singapore	S\$ 3.10
Denmark	DKK 7.25	South Korea	W 200	Taiwan	NT 30
France	FF 5.00	Switzerland	Sfr 2.20	Thailand	THB 10
Germany	DM 2.20	U.S.	Doll 1.00	U.K.	£ 1.00
Greece	Dr 170	West Germany	DM 3.00	U.S.A.	\$ 1.00
Hong Kong	HK\$ 1.00	Yemen	Y 200		
India	Rs 15	Philippines	P 20		

World news Business summary

Reagan continues 'superb' recovery

President Ronald Reagan continued to recover 'superbly' from Saturday's major surgery as he awaited results of a cancer test in Bethesda Naval hospital, the White House said.

Doctors said they were 'running out of superlatives' to describe Mr Reagan's resilient condition. It was confirmed that he would return to the White House within five to eight days for a period of convalescence.

White House staff were to review the President's schedule over the next three to four weeks, in which he is expected to undertake only light duties. However, Mr Reagan still planned to meet President Li Xianan of China, who will be visiting Washington next week.

Greenpeace inquiry

Detectives flew to Norfolk Island in the South Pacific to interview the crew of a French yacht in connection with the explosion that sank the Rainbow Warrior, flagship of the Greenpeace environmental group.

Farm document

EEC farm ministers were perusing for the first time the European Commission's controversial discussion document for the reform of the Common Agricultural Policy (CAP).

Force 'justified'

The U.S. was entitled to use necessary force to defend its interests in the war against terrorism, Abraham Sofaer, legal adviser to the State Department, told the American Bar Association conference in London.

Live Aid plea

Organisers of Saturday's 'Live Aid' rock concert in London and Philadelphia have invited relief agencies working in Africa to apply for the estimated £90m (\$95m) raised in donations and pledged contributions.

China fires missile

China successfully fired an underwater ballistic missile from a submarine, the China News Service said. It gave no details of the date or place of the firing.

UN conference hitch

The UN Women's Conference opened in Nairobi with the 4,000 delegates divided over what to discuss. Preparations for the conference were hampered by political skirmishing between the U.S. and Third World countries.

Zimbabwe reshuffle

Zimbabwe Premier Robert Mugabe dismissed Agriculture Minister Denis Norman in reaction to the white support for former President Ian Smith in last month's election.

Beirut militia warned

Lebanese Premier Rashid Karami ordered all militia groups of Beirut's streets after Syrian officers joined a peace committee.

Bhopal babies

At least 21 babies have been born deformed and 38 women have suffered miscarriages in the central Indian city of Bhopal since last December's poison gas leak, the Health Minister of Madhya Pradesh state said.

Spending trimmed

A report by the European Commission said worries about unemployment have made Europeans trim their spending.

Bank demo halted

Khartoum police used clubs to break up demonstrations by bank workers demanding an inquiry into alleged corruption in the central bank of Sudan.

Chase quarterly earnings up 45%

CHASE MANHATTAN, the third largest U.S. banking group, has announced a 45 per cent increase in second-quarter net earnings of \$131m. J.P. MORGAN, the fifth largest U.S. banking group, said second-quarter net earnings increased by 51.9 per cent to \$157.5m.

CONTINENTAL ILLINOIS, the Chicago bank restructured last September after a Federal led rescue, made second-quarter net earnings of \$37.3m after \$39.3m in the first three months. U.S. bank results, Page 17.

WALL STREET: At 3pm, the Dow Jones industrial average was up 3.22 at 1,342.52. Page 40.

LONDON shares were higher, buoyed by bank share price cuts, retail sales data and the strong pound. The FT Ordinary index added 11.2 to 937.2. Page 40.

TOKYO stocks fell heavily, taking the Nikkei Dow market average down 240.72 to 12,598.77. Page 40.

HONG KONG shares advanced as the 1 percentage point cut to 7 per cent in local prime rates, announced at the weekend, took effect. The Hang Seng index was 24.71 higher at 1,815.78. Page 40.

DOLLAR remained weak in London, falling to DM 2.877 (DM 2.89). FF 4.7475 (FF 4.78). SwFr 2.392 (SwFr 2.3995) and Y237.85 (Y240.85). On Bank of England figures, the dollar's index fell to 138.4 from 138.9. Page 33.

STERLING improved against the dollar in quiet London trading, closing at \$1.2885 (\$1.288) but was unchanged at DM 4.0 and FF 12.145, and eased to SwFr 5.32 (SwFr 5.325) and Y330.25 (Y333.5). The pound's exchange-rate index fell 0.2 to 83.2. Page 33.

GOLD rose just \$0.25 on the London bullion market to \$318.50 and \$0.50 in Zurich to \$318.25. Page 32.

ITALY: Imports' share of car market was 4.9 percentage points higher in first half than in same period of 1984. Renault and Volkswagen made the most headway. Page 4.

ISRAEL announced that prices rose by 14.9 per cent last month, a record high for June. Prime Minister Shimon Peres wants to use the rise to avert a general strike with inflation for 1985 projected at 285 per cent.

POLAND finally signed an agreement with its main Western trading partners on rescheduling about \$12bn in debt repayments due for the 1982-84 period. Page 2.

E.R. LEWIS, a four-partner British stockbroking firm, is to merge with Springour Vickers, the U.S. bank.

INTERNATIONAL Finance Corporation announced that its second-quarter earnings increased by 35 per cent to a record \$161m in the year ending June 30 and net income rose 6 per cent to \$28.5m. Page 4.

KUALA LUMPUR Stock Exchange, whose industrial index has plunged to a 30-month low, is expected to introduce a delayed one-month contract system next month to stimulate activity. Page 18.

LEVI STRAUSS, the world's largest maker of jeans, announced that president Robert Hagan and other members of the founding family would offer \$50 a share in cash to return the company to private ownership. Page 17.

AUSTRALIAN consortium led by Leighton Construction won HK\$1bn (\$129m) contract to build the first phase of a rapid-transit rail system in Hong Kong's north-west New Territories. Page 4.

We apologise to readers for the inaccuracies on the UK building society rates table published on Saturday. The correct figures are on Page 6. We also apologise for the omission of one page of unit trust prices in yesterday's edition.

Toshiba agrees to semiconductor link with Siemens

BY CARLA RAPOPORT IN TOKYO AND JOHN DAVIES IN FRANKFURT

TOSHIBA of Japan and Siemens of West Germany, two of the world's leading electronics companies, have agreed on a wide-ranging programme of technological co-operation in semiconductors.

The deal, believed to be the first of its kind between a European and Japanese electronics company, will include exchange of new technology, in both the production and development of products at each company. It may also lead to the joint development of new products.

In the first part of the deal, Siemens has agreed to pay Toshiba an unspecified sum for design, testing and production data on Toshiba's new 1-megabit dynamic random access memories, which are able to store 1m bits of data.

Samples of those chips were first put on the market last month, and Toshiba intends to begin full-scale production of the 1-megabit chip next year.

That will help to speed up Siemens' plan to produce its own megabit, which it hopes to begin producing before the end of the year, about a year earlier than previously planned. The chips will reduce the cost and size of computers.

Toshiba and Siemens have also agreed on a cross-licence agreement for the entire field of semiconductor component patents, with mutual worldwide rights.

The Japanese company said yesterday it would be willing to negotiate the sale of its 1-megabit technology to other companies. The Siemens deal will not cover any joint marketing schemes.

The link is a significant boost for Siemens in the race to produce the next generations of chips and the advanced products based on them.

Siemens recently decided to put more money and manpower into its so-called 'megaproject' to produce a 1-megabit chip and later a 4-megabit chip, able to store 4m bits of data.

It is stepping up total investment in the project from DM 1.4bn to DM 1.7bn (\$590m) while DM 800m in research spending will take the total outlay to about DM 2.5bn.

Siemens is co-operating with Philips of the Netherlands in developing the 4-megabit chip and has a target date of 1989 for production.

The West German company is building a plant at Regensburg in Bavaria as a production centre for 1-megabit and 4-megabit chips. The plant was originally expected to cost DM 330m, but with Siemens forcing the pace, the cost has risen to about DM 540m.

The group is also anxious to draw on Toshiba's expertise in various aspects of complementary metal-oxide semiconductor (CMOS) technology. The West German company has already conceived its 1-megabit chip in CMOS technology, which has been gaining ground internationally as a basis for developing high-powered chips.

Paris wary of Japanese plans to open markets

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government reacted sceptically yesterday to pledges by Mr Yasuhiro Nakasone, the Japanese Prime Minister, to open the Japanese market further to imports.

Mme Edith Cresson, the Minister of Industry and External Trade, said that France expected a 'certain number of concrete steps' from the Japanese Government and that Japan would be judged on the results of those.

Mr Nakasone is in France on the first leg of a European tour that will also take in Italy, Belgium and the EEC Commission. His visit to France coincides with growing concern about the bilateral trade deficit, which has swollen to FF 15bn (\$1.7bn) but which is also beginning to be offset by increased Japanese investment in France.

Mr Nakasone made the most of that at a press conference yesterday by saying that 28 Japanese companies had set up in France last year compared with only six in 1980. He pointed out that a third of the 13,400 new jobs created in France last year through foreign investment had been created by Japanese companies.

The increase in Japanese investment reflects a significant change in the attitude of the two countries towards each other.

The Japanese were taken aback by the strength of French protectionism three years ago when Paris required that all Japanese imports of video cassette recorders be processed through customs at Potters in central France. Japanese companies have since increasingly sought to gain an inside foothold in the French market by establishing manufacturing facilities in France.

At the same time, the administration of M. Laurent Fabius has thrown overboard the Socialist's traditional hostility towards Japanese investment in favour of encouraging it for the technological and employment benefits it can bring.

Japanese companies that have recently topped new investments in France include Sumitomo, the tyre group, and Sony and Akai.

Answering French criticism of Japanese protectionism, Mr Nakasone said that Japan was opening its market further by both lowering customs tariffs and by easing its standardisation procedures. But he also called on French companies to make greater efforts to penetrate the Japanese market, pointing to the example of BMW of West Germany, which sold 10,000 cars to Japan last year.

Mme Cresson, the most outspoken of senior French ministers, yesterday described Japan as a 'country that was "protectionist both in its habits and in its regulations."

She received strong backing from M. Yvon Gattaz, the head of the French employers' association, who said that Japan's recent import liberalisation measures were 'totally insufficient'.

In his discussions with President Francois Mitterrand, Mr Nakasone formed the impression that the French leader would attend the summit of leading industrialised nations in Tokyo next year. He said he thought Mitterrand's criticisms of the summit procedures for being 'too bureaucratic' and too much of a 'political show' were well justified.

IBM suffers 12.9% decline in second quarter earnings

BY PAUL TAYLOR IN NEW YORK

IBM, the world's largest computer manufacturer, yesterday reported its second consecutive quarterly earnings decline. The group blamed softness in the U.S. economy, the strong dollar and customers delaying orders until new models were available.

Net earnings fell by 12.9 per cent to \$1.41bn, or \$2.30 a share, in the second quarter, from \$1.62bn, or \$2.65 a share, a year earlier. Total revenues grew by a modest 2.1 per cent to \$11.4bn from \$11.2bn. The decline follows a 17.9 per cent drop in net earnings in the first quarter on revenues which rose by 1 per cent.

For the first half, the computer giant suffered a 15 per cent decline in net earnings to \$2.4bn, or \$3.91 a share, compared with \$2.83bn, or \$4.62 a share, in the corresponding period a year ago. Revenues increased by 2 per cent to \$21.2bn from \$20.9bn.

NCR, another of the major U.S. mainframe computer makers, also announced that its net earnings fell

STC, British electronics and telecommunications group, announced its first major reorganisation since taking over UK computer maker ICL last year. Page 16.

cents a share, in the second quarter, compared with \$78.2m, or 19 cents a share, a year earlier. Revenues were up by 3 per cent to \$1.03bn from \$999m.

First-half earnings fell to \$110.3m, or \$1.10 a share, on revenues of \$1.87bn, compared with net earnings of \$121.74m, or \$1.15 a share, on revenues of \$1.86bn a year earlier.

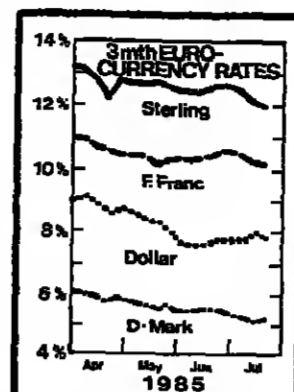
IBM's latest results - which had been eagerly awaited as a key indicator of the current state of the troubled U.S. computer industry - were broadly in line with market expectations. Indeed, some analysts, concerned by IBM's recent profit warnings, rumours of heavy inventories and an expected round of price cuts, had recently further

reduced their second-quarter earnings estimates to as low as \$2.20 a share. As a result, IBM's shares gained 5 1/4 to 12 1/4 after the earnings release, having traded as low as \$123 1/4 before the announcement.

Mr John Akers, IBM's president and chief executive, said: 'The financial health of our business continues to be sound despite several factors that have adversely affected our earnings in the short term.'

Among these negative factors Mr Akers noted that customers had 'paused to evaluate the trade-off' between installing IBM's 308X mainframes and waiting for delivery of the company's new, more powerful 3090 Sierra models. However, he said: 'We are pleased with the order rates for the 3080 and, based on improvements in our manufacturing schedules, we have been able to advance shipments into the

Continued on Page 16
STC reorganisation; Lex, Page 16; Blunder gave IBM world lead, Page 24



£ steady as UK banks cut key rates

By Philip Stephens and Max Wilkinson in London

THE COST of borrowing fell in Britain yesterday as banks followed last week's lead from the Bank of England to lower their base lending rates from 12 1/2 to 12 per cent.

There were hopes that if the dollar's recent decline gathered pace and interest rates elsewhere in Europe fell, then there might be scope for another small cut over coming weeks.

Yesterday the pound shrugged off the base rate move to end the day little changed from Friday as the dollar remained under pressure against all currencies.

Industrialists welcomed yesterday's move, but the Confederation of British Industry said it was still concerned that borrowing costs were far too high.

Mr Nigel Lawson, the Chancellor of the Exchequer, indicated that he was taking a cautious line on interest rates and was against a rapid fall. He told the all-party Treasury and Civil Service Committee of MPs that he intended to maintain interest rates at a high enough level to maintain downward pressure on inflation.

'Interest rates are a very important instrument of anti-inflation policy but they are not themselves an objective of policy,' he said.

Mr Lawson held out some hope, however, that further falls in the dollar's value would allow him to reduce interest rates without weakening the squeeze on inflation.

Mr Lawson said that the dollar was clearly overvalued despite its recent fall, but the pound was too much more 'realistically valued' in relation to the currencies of Britain's trading partners.

He once again downplayed the significance in Treasury policy of the broad measure of the money supply, sterling M3, which has recently been growing much faster.

Continued on Page 16
Record UK retail sales, Page 7; Lex, Page 16; Money markets, Page 33

Belgium faces poll as six ministers quit

BY QUENTIN PEEL IN BRUSSELS

BELGIUM'S centre-right coalition Government was set to fall last night, after five ministers served notice to quit in the political storm over responsibility for the football tragedy in the Brussels Heysel Stadium in May.

All the ministers in the French-speaking Liberal Reform Party (PRL) backed the lead of M Jean Gol, a deputy prime minister and the Justice Minister, who earlier handed in his resignation to M Wilfried Martens, the Prime Minister.

They were protesting at the failure of M Charles-Ferdinand Nothomb, the Interior Minister and the senior member of the four-party Government from the rival Social Christian Party (PSC), to quit after a strongly critical report on the Heysel disaster, in which 38 people died in the crowd at the Liverpool-Juventus European Cup final.

The Liberal party decision was announced last night by M Louis Michel, the party chairman, leaving M Martens with little option except to ask Belgium's King Baudouin to dissolve his Government. M Michel said it was the first time that a Belgian Government would have fallen over a question of political morality - the refusal of a minister to accept his personal responsibility.

A parliamentary inquiry into the disaster blamed not only the Liverpool supporters for the deaths, but also the failure of policing arrange-

ments at the stadium, under the ultimate authority of the Interior Minister.

M Nothomb, the leading member of the French-speaking Social Christians (PSC) in the four-party coalition, resisted the resignation calls last week and threatened to take the rest of his party with him out of the government.

Although M Gol's Liberal colleagues finally bowed to that threat on Saturday, and did not insist on M Nothomb's departure, the latest move once again puts the Government's narrow parliamentary majority at risk.

M Martens held talks throughout yesterday afternoon with leaders of all the parties in his government, including his own Flemish Christian Democrats (CVF) and the Flemish Liberals.

M Gol said in his resignation letter to M Martens that he was quitting because of the 'unjustified refusal' of M Nothomb to accept the responsibility of his office, and because of the insistence of other parties in the Government to elevate the dispute into a question of government survival.

In Belgian political circles, his move is seen as an attempt to save face after withering criticism of his Liberal party in the Belgian press for harking down in its criticism of M Nothomb.

Laker settlement set to cost BA \$32.5m

BY DUNCAN CAMPBELL-SMITH IN LONDON

BRITISH AIRWAYS' out-of-court settlement over the collapse of Laker Airways, signed in Washington on Friday, seems likely to leave the state airline with costs of \$32.5m.

This does not include the legal fees paid or payable by BA to its UK and U.S. lawyers since the search began in earnest last December for a settlement of the anti-trust suit brought against BA and 11 others by Mr Christopher Morris, the Laker liquidator.

The total value of the settlement will be \$88.5m, assuming that Sir Freddie Laker accepts a payment of \$8m set aside for him until August 20. Acceptance of this offer will be conditional on Sir Freddie instituting no future legal action on his own behalf - or in conjunction with others.

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Section III

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TENDER OFFER BY THE COMPANY FOR UP TO 850,000 OF ITS OWN ORDINARY SHARES OF 25p EACH ("ORDINARY SHARES") AT A MAXIMUM PRICE OF 270p PER SHARE

A tender offer enabling Ordinary Shareholders to tender their shares either through The Stock Exchange ("on-market") or directly to the Company ("off-market") will be open from Tuesday 16th July 1985 and close at 3.30 p.m. on Monday 22nd July 1985. The terms of the tender offer and instructions to tendering Ordinary Shareholders should take effect if they wish to tender some or all of their shares are set out below.

Terms of the tender offer, where applicable, in accordance with the Rules Governing Subsequent Acquisitions of Shares issued by the Council for the Securities Industry

1. Ordinary Shareholders are invited to tender at a price within the range of a minimum of 270p per share to a maximum of 270p per share inclusive.

2. The maximum number of Ordinary Shares for which the Company will accept tenders is 850,000. Ordinary Shareholders will be able to tender all or some of their shares, but if tenders are accepted, the number of shares accepted will be determined by the Company and may be subject to a ballot or rejected as explained in paragraphs 4 and 5 below.

3. If tenders of Ordinary Shares representing less than 1 per cent. of the voting rights attached to the Company's Ordinary Shares (being 41,336 Ordinary Shares) are received, the tender offer will be void.

4. The number of Ordinary Shares tendered for sale is more than 850,000, the striking price (being the price that the Company will pay) will be the lowest price at which the number of shares tendered (i.e. 850,000) is met and all shareholders who tender at or below the striking price will receive that price. If necessary, tenders made at the striking price will be scaled down pro rata of ballot.

5. No tenders at above the striking price will be accepted and shareholders should be aware that it is possible that the striking price could be less than 270p.

6. If the number of Ordinary Shares tendered for sale is less than 850,000, tendering shareholders will receive the maximum price of 270p, subject to paragraph 3 above.

7. Subject to the provisions of paragraph 3 above, all tenders lodged by shareholders or, on their behalf, by their agents, will be irrevocable.

8. It will be open to Ordinary Shareholders to tender a proportion of their shares through The Stock Exchange ("on-market") and a proportion of their shares direct to the Company ("off-market").

9. Tender prices must be expressed in pence (including fractions). The only fraction of one penny which will be accepted is 1/2p. Tenders with prices shown in decimals or otherwise judged incomplete or unacceptable by The Stock Exchange and the Representative of the Board of Directors of the Company (see below) may be declared void.

10. The tender offer will open on Tuesday 16th July 1985 and will close at 3.30 p.m. on Monday 22nd July 1985. The offer will be conducted by The Stock Exchange and the Representative of the Board of Directors of the Company. On closing, tenders in the Company's Ordinary Shares will be temporarily suspended, the results of tenders tendered on-market will be determined by the Company and the results of tenders tendered off-market will be determined by the Representative of the Board of Directors of the Company. The results of tenders tendered on-market and off-market will be determined by the Company and the Representative of the Board of Directors of the Company. The results of tenders tendered on-market and off-market will be determined by the Company and the Representative of the Board of Directors of the Company.

11. At 9.30 a.m. on the first business day following the determination by The Stock Exchange and the Representative of the Board of Directors of the Company as to whether the tender offer has been successfully tendered at or below the striking price, dealings in your Company's Ordinary Shares will resume and sales will be effected through The Stock Exchange and the Representative of the Board of Directors of the Company. It is emphasized that the terms of such sales may in no circumstances be subsequently varied; nor will such sales or the settlement thereof be conditional on the approval of off-market purchase contracts.

12. Sales resulting from successful on-market tenders will be for normal Stock Exchange Account Settlement on Monday 22nd July 1985, being the settlement day for the Account ending on Friday 19th August 1985. Ordinary Shareholders who have successfully tendered on-market will receive their proceeds of sale (less their normal dealing expenses) through their stockbroker or other agent in the usual way once they have provided a valid share certificate and signed the appropriate Share Transfer form. The normal Stock Exchange rules for Account Settlement will apply and buyers may therefore take place in the event of late delivery of shares.

13. Successful off-market tenders will be subject to specific approval by shareholders in Extraordinary General Meeting to be held on Wednesday 28th August 1985. Upon such approval being obtained the proceeds of sale will be paid on Wednesday 28th August 1985 to those shareholders who have successfully tendered off-market and provided a valid share certificate.

Transition

The taxation consequences for Ordinary Shareholders depend upon the method which they employ to tender their Ordinary Shares as well as on their own circumstances. ALL SHAREHOLDERS ARE ADVISED TO CONSULT THEIR TAX ADVISOR BEFORE TENDERING THEIR ORDINARY SHARES.

The Board of Directors have confirmed they are satisfied, on the understanding that none of the Directors or their associates will tender Ordinary Shares to the Company, that the proposed purchase of shares by the Company under Sub-section (2) of Section 460 of the Income and Corporation Taxes Act 1970 (prohibition of tax advantages from certain transactions in securities) ought to be given in respect thereof.

Off-market tenders

Shareholders who wish to tender all or part of their shares through The Stock Exchange should instruct their stockbroker, bank manager or other professional adviser accordingly, indicating the number of shares to be tendered and the price or prices at which such shares should be tendered. Sales resulting from successful tenders of shares on-market will be subject to Stock Exchange sale commissions, expenses and procedures for settlement. Shareholders should not tender any circumstances not the off-market form of tender for tendering shares on-market.

Off-market tenders

A form of tender for those shareholders who wish to tender all or part of their shares off-market is available from the Company at its registered office at 41 Upper Thames Street, London EC4V 3AR or from the Solicitors to the Company Messrs. Jacques & Lewis 2 South Square, Gray's Inn, London WC1R 3SH; it contains instructions for lodgement which should be read carefully.

If shares are successfully tendered off-market, the purchase of those shares will be subject to approval by shareholders and a further circular will be despatched on 1st August 1985 convening an extraordinary general meeting for this purpose.

Closing date

The tender offer will close at 3.30 p.m. on Monday 22nd July 1985. An announcement of the results of the tender offer will be made by 9.30 a.m. on Tuesday 23rd July 1985.

16th July 1985

German exports 'unlikely to suffer'

By John Davies in Frankfurt

WEST GERMAN exporters are unlikely to suffer a basic setback as a result of the decline in the U.S. dollar, according to Dr Helmut Schlesinger, vice-president of the Bundesbank, the country's central bank.

His remarks yesterday came in a speech from Augsburg in which he argued against suggestions, especially from abroad, that West German exports should be boosted by creating more jobs and to shore up world trade in the face of weakening U.S. growth.

Dr Schlesinger conceded that the dollar decline would erode sales and profit advantages which West German exporters had been enjoying.

It was unlikely, however, to hit the basic competitiveness of West German exports, which arose from favourable trade in costs of production, including labour costs.

He said it could not be excluded that cost discrepancies between West Germany and most other European countries might lead to exchange rate adjustments in the European Monetary System, as happened in the past. But he indicated that stable domestic conditions remained an advantage to West Germany and would help employment.

Dr Schlesinger said that West German export earnings in the U.S. had doubled in just over two years, buoyed up by the high dollar in relation to the D-Mark.

However, most West German exporters had realised that the strong growth of the U.S. economy and the high dollar were not "reliable props" for West German business in the U.S., he said.

Dr Schlesinger, who is a consistent advocate of cautious budgetary and monetary policies, said that West Germany already seemed assured of economic growth well into next year. For that reason there was no need for new expansionary measures.

In any case, West Germany was too small to take the place of the U.S. in economic expansion. Only Europe as a whole might have such strength.

In his view, the dollar decline would help to support the economic growth already under way in major European countries.

This was because the turnaround in the currency markets had enabled a number of countries to reduce their relatively high interest rates.

Referring to West Germany, Dr Schlesinger said: "Interest rates have already declined and at present are falling further."

Yields on fixed-interest securities had fallen and the Bundesbank had lowered its interest rates in the open market activities through which it influenced the money market, he said.

Dr Schlesinger said that although the Bundesbank used to have grave reservations, the D-Mark had become the world's second most important reserve currency after the U.S. dollar. It was in West Germany's interest now to maintain that role, he said.

Brussels takes softer line on CAP reform

BY IVO DAWNAY IN BRUSSELS

EEC FARM ministers were last night endorsing one of the first papers. An introductory statement, agreed last week, puts heavy emphasis on the CAP's central role as the "cornerstone of European construction", adding that the policy remains "the marriage contract of the European Community".

Intervention by M Jacques Delors, the Commission president, has also ensured that an outspoken warning that farm unemployment is certain to rise, has been removed. A key sentence in the original draft stating that structural adjustment "would not be possible without an outflow of labour" no longer appears.

But even with this crucial excision, the introductory statement has still met substantial opposition from within the Commission with Herr Karl Heinz Narjes, the West German Industry Commissioner, voting against the paper.

He is said to have wholly rejected the central premise of the document that insists, like so many farm reform proposals in the past, that Community prices must be brought closer into line with those of the world markets.

The paper also appears to soften its original objection to quotas as an alternative means to prices for containing surpluses. Although many of the disadvantages of quantitative restrictions are again reiterated, a sentence underlining the political and administrative problems they raise and the fact that they can cut farm income, has been inexplicably removed.

So also has a line dismissing the potential of bio-ethanol production as an outlet for surplus cereals, though this is touched on later.

Some changes have also been made to the chapter on external

trade. Of these, the most noteworthy is the wholly new suggestion that the efforts of the EEC to control production over the past months might be argued as justifying certain new rights and derogations under the general agreement on tariffs and trade (GATT).

Taken as a whole, the adaptations of the draft document have been made, they mostly attempt to paint a slightly rosier picture to an audience of farmers who are certain to be highly hostile to the wide ranging reforms mooted and feared for their future.

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Eureka emerges from its incubation period with wide European support

In the first of two articles in advance of this week's EEC ministerial talks, David Marsh reports on growing interest in the programme

AFTER extensive fertilisation through diplomatic contacts and an accelerated incubation period, the French-inspired Eureka programme to boost technology collaboration in Europe is about to break out of its shell.

Eureka was launched three months ago as an indirect response to the rallying of U.S. high-technology efforts behind President Reagan's Strategic Defence Initiative (SDI). Since then it has surpassed the expectations of French officials in gathering broad endorsement from the rest of Europe.

A vigorous Eureka sales campaign in which M Hubert Curien, the French Research and Technology Minister, has played a leading role has succeeded in stirring up interest where initially only lukewarm support or downright scepticism prevailed.

A series of recent announcements from European companies of planned joint Eureka programmes in areas such as computers, sensors, conductors and automated production has shown that industrialists are taking Eureka seriously.

Firm programmes have been launched by Matra of France with Norsk Hydro of Norway in high-power scientific computers and with SGS of Italy in integrated circuits.

More tentative projects are being studied by Bull and Siemens to make a European super-computer, and by Messerschmitt and Aerospatiale in aeronautics production. Other companies are working on plans in fields like robots and advanced materials.

The four highest European electronics groups Philips, General Electric, Siemens and Thomson have announced joint studies to work out collaboration in such fields as microprocessors and communications. There are some differences of interpretation among the companies themselves on how firm a commitment this represents. But at least Eureka now seems to be the right idea at the right time—an initiative which catches the prevailing European desire for greater efforts in high technology to catch up with the U.S. and Japan.

The task now is to give Eureka's still-wispy outlines

more definite contours. The meeting in Paris between ministers from 17 European countries, which starts on Wednesday, will aim to come up with a list of programme areas, including some definite projects, to be supported. Foreign and Research Ministers, as well as European Commission representatives, have been invited.

French officials, well aware that Eureka is a particular scheme any attempt to set up a new agency to add to Europe's considerable research bureaucracy, emphasise the "pragmatic" way that Eureka should be run.

The list of projects put forward by France to come under the Eureka umbrella is linked mainly to products with direct commercial applications. The aim, French officials say, is to fill the gap in pooling market-oriented research efforts. The EEC's Esprit information

inject FFf 140bn (£11.5bn) into the domestic electronics industry.

The idea is that specific projects should demand funds not that we should set up an overall funding line to try to fill it with projects," says a senior Research Ministry official.

Individual programmes, if approved by Eureka Ministers, should be financed through a mixture of government and private sector cash, including funds raised from the banks and on capital markets.

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Poland signs accord on debt

By David Marsh in Paris

POLAND has finally signed an agreement with its main Western trading partners on a rescheduling of \$1.2bn in debt payments due for the 1982-84 period.

The accord was reached yesterday after a six-month delay following the initialising in Paris of an agreement between Poland and its creditors in January.

Poland had been holding out for Western pledges of fresh trade credits before putting its signature to the accord. It was not clear last night whether some Western nations had agreed to this condition.

The rescheduling of guaranteed government-to-government debt will allow Poland to repay the amounts outstanding since 1982 over a period of 11 years, with a five-year grace period.

Other details of the rescheduling may be spelled out by the Poles at a press conference in Paris today.

Christopher Bobinski in Warsaw says: Poland's economic situation is slowly improving. Gen Wojciech Jaruzelski, the country's military leader, told officials recognized trade unionists at the weekend. But he warned that industrial production growth in the first half of the year was behind target and wages were too high.

Mr Alfred Miodowicz, the unions' national leader, told the meeting that new collective wage agreements could come into force by the beginning of next year.

The new unions, which were established in 1983 to replace the banned Solidarity union and claim a membership of 5.5m, have been carrying long drawn-out negotiations with the Government on a national collective wage agreement formula.

The Government still refuses to accept the principle of framework agreements negotiated nationally between unions and relevant ministries setting out a minimum wage and other conditions of employment which will be binding on the now independent companies.

The position taken by the Ministry of Labour with the backing of the Government is that under Poland's decentralising economic reforms obligations to negotiate wage agreements would deprive individual companies of powers over wage-setting.

Further talks on the issue - in which the unions have the overt sympathy of at least some government ministers anxious to re-establish their previous control over wages - have now been shelved until the autumn.

The new unions have, however, been given greater powers over wages and welfare spending at the factory level by changes in the trade union law due to be passed this month. Gen Jaruzelski denied at the weekend that these changes would cut the powers of democratically-elected workers' co-management councils.

However, some councils, such as the one at the Cemi electronics works in Warsaw, have already protested at the changes. They argue that the unions which are still boycotted by Solidarity are being given greater powers "so that they can win more members by spending funds which have been earned by the whole workforce".

Cemi, which employs 8,000, is typical of larger plants in Poland where some 20 per cent of the workforce are union members while 70 per cent or more took part in elections for the workers' council.

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Notice to Holders

New Zealand

Adjustable Rate Extendible Notes, Series A

Pursuant to paragraph 5(c) of the Fiscal Agency Agreement dated November 7, 1984 between New Zealand and Citibank N.A., fiscal agent, notice is hereby given that New Zealand has designated a Subsequent Repayment Date and interest rate for the period ending on such Subsequent Repayment Date with respect to New Zealand's Adjustable Rate Extendible Notes, Series A (the "Notes").

Subsequent Repayment Date

New Zealand has designated November 6, 1985 as the next Subsequent Repayment Date.

Interest Rate

The interest rate on the Notes from August 6, 1985 to November 6, 1985 will be equal to 1a) the weighted average per annum discount rate for direct obligations of the United States of America with a maturity of 91 days ("91-day Treasury bills") expressed as a bond equivalent on the basis of a year of 365 or 366 days and applied on a daily basis, at the applicable 91-day Treasury bill auction (the date of such auction being hereinafter referred to as an "Auction Date") as published by the Board of Governors of the Federal Reserve System or (if not so published) as reported by the Department of the Treasury in the "91-day Treasury bill rate" 1/16s (b) the Applicable Spread (as defined below) for such Auction Date.

Such Treasury bills are usually sold at auction on Monday of each week unless that day is a legal holiday in which case the auction is usually held on the preceding Friday. If such Treasury bill rate ceases to be so published or reported prior to November 6, 1985, the then current rate of interest will remain in effect until the earlier of November 6, 1985 or such time as such rate is again published or reported.

The interest rate will be subject to adjustment on the calendar day following each auction of 91-day Treasury bills provided, however, (i) that the interest rate in effect for the period from August 7, 1985 through the date of the first 91-day Treasury bill auction after such date shall be based upon the results of the most recent 91-day Treasury bill auction prior to such date, and (ii) that the interest rate in effect for the ten day period immediately prior to November 6, 1985 shall be based upon the results of the most recent 91-day Treasury bill auction prior to the tenth day preceding such date.

The "Applicable Spread" for an Auction Date will be equal to the greater of 1a) 50% of the amount by which three-month LIBOR on such Auction Date (determined as provided below) exceeds the 91-day Treasury bill rate on such Auction Date and (b) 60 basis points.

Three-month LIBOR on an Auction Date will be equal to the arithmetic average (rounded upward, if necessary, to the nearest multiple of 1/16 of 1%) of the quotations provided by the principal London office of each of the Reference Banks (as defined below) to the Fiscal Agent on such Auction Date for United States dollar deposits for the three month period beginning on such Auction Date as offered to leading banks in the London interbank market at approximately 3.00 p.m. (London time) on such Auction Date. If on any Auction Date at least two Reference Banks provide quotations to the Fiscal Agent, three-month LIBOR on such Auction Date shall be the arithmetic average (rounded as stated above) of such quotations; if on any Auction Date less than two Reference Banks provide such quotations, then three-month LIBOR on such Auction Date shall be the same as three-month LIBOR on the immediately preceding Auction Date. "Reference Banks" means Citibank N.A., The Chase Manhattan Bank (National Association) and Lloyds Bank PLC.

Each holder of a Note will be deemed to have elected to extend the date of repayment of such Note to November 6, 1985 unless the form entitled "Option to Elect Repayment" appearing on the reverse side of the Note or a facsimile or telex thereof, duly completed by the holder of such Note, has been received by the Fiscal Agent, in the case of Notes in registered form, at its address at 111 Wall Street, Registered Bond Processing Department, Fifth Floor, New York, New York 10043, and in the case of Notes in bearer form, at the main office of the Fiscal Agent in London, NOT LATER THAN JULY 26, 1985.

CITIBANK, N.A.,
Fiscal Agent

Dated: July 16, 1985

Candidate for Lisbon PM picked

By Diana Smith in Lisbon

PORTUGAL'S Socialist Party has chosen Sr Antonio de Almeida Santos, a prominent lawyer, as prospective Prime Minister should the party win the general election on October 6. This will enable Sr Mario Soares, the present Prime Minister and party leader, to establish himself as a major contender for the presidential election in the first week of next January.

Now caretaker Premier of a centre-left coalition government whose powers have been reduced following the dissolution of Parliament last Friday, Sr Soares has long cherished the ambition of being Portugal's first civilian President since 1926 when a right-wing military coup made the office a military monopoly.

His government had the rug pulled from under it early last month when Sr Anibal Cavaco Silva, the new hardline leader of the Social Democrats, withdrew his party from the two-year-old coalition.

However, Sr Cavaco Silva failed to achieve the complete removal of the Social Democrats from the administration. President Antonio Ramalho Eanes, seeing no alternative, has made the cabinet stay in office until the October election results are known.

Although the election campaign does not begin officially until early September, leaders of the main parties have already started making strongly worded speeches around the country in an effort to goad lethargic voters into supporting them.

Social and Christian Democrat leaders are discussing resuscitating the 1978-82 alliance which collapsed amid squabbles at the end of 1982 amid serious economic difficulties.

Cautionary tales of tigers

By Patrick Cockburn in Moscow

TIGERS in Siberia have killed dozens of people over the past ten years in increasingly frequent attacks, according to the Soviet daily newspaper Izvestia.

The number of Siberian tigers has risen since hunting them was prohibited 40 years ago at a time when they were as common as wild dogs. In recent years that tigers have moved closer to human settlements. This is because they are finding it more and more difficult to live on wild boar and deer, their natural prey, which it is still legal for people to hunt, compelling the tigers to kill the village cattle.

Soviet specialists say that villagers in Siberia are often killed by tigers which they have unwittingly provoked. On meeting a tiger, the first thing to do is "Let him know you have no claim on his hunting ground and are not afraid of him," advises Mr V. Zhivotachenko, a leading expert.

How this explanation is to be made he does not elaborate, but he adds that "critical situations often arise when people run away or try to climb up trees—tigers can lie in wait for a very long time."

In one case a tiger found a deer lying in a village and was dragging it back to the forest when it saw two villagers in pursuit. "It is common knowledge that a tiger does not like to be followed," says Izvestia. It rounded on the villagers, knocked one over and sat on him, instead of lying quietly as he expected. The tiger was shot dead.

Soviet military moves in East Germany

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

THE SIMULTANEOUS departure from East Germany of General Mikhail Zaitsev, commander of the 400,000 Soviet troops there, and of his top political commissar, General Aleksandr Lebedev, has prompted speculation among Western analysts that the Kremlin may have ordered a shake-up in the Soviet Union's westernmost military forces.

Announcing the changes, the East German news agency said President Erich Honecker thanked the two generals over the weekend for their work and their responsible new work, hardly an indication of any disgrace. But the Soviet army newspaper, Red Star, had recently criticised training among Soviet forces in East Germany, and Western analysts said the double departure was unusual.

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The Soviet Government has changed three new industry ministers, apparently the latest move in the bid to improve industrial efficiency.

The Tass news agency says Mr Aleksandr Kashin has been replaced as Minister of Construction Materials by Mr Sergei Vovnyushkin. Mr Arkady Shchepetilnikov has been appointed Minister of Industrial Construction, replacing Mr Yuri Solovoyov, who was named Leningrad party chief last week. The Light Industry Minister, Mr Nikolai Tarasov, who retired earlier this month, has been succeeded by Mr Vladimir Klyuyev, a regional party official.

For several years now, Yugoslavia has had to ask foreign creditors to accept delayed repayment of their loans, and over the first six months of this year indebtedness was reduced by only \$170m.

In some sectors supply already exceeds demand as consumers' purchasing power has continued to be eroded by the fall in real wages.

Yugoslavia's economy has disappointing half year

BY ALEKSANDAR LEBL IN BELGRADE

RETAIL PRICES in Yugoslavia last month rose 76 per cent higher than the level a year earlier, representing a slight decline from the peak in May. But even with modest improvement in this and other areas, Yugoslavia's economic results for the first six months of this year have proved very disappointing.

According to official figures just released, industrial output rose by 2.9 per cent in real terms in the first half, but short of the government goal of a 4 per cent increase. Total exports

rose by 4 per cent, but shipments for hard currency increased by only 1 per cent, while imports rose by 10.

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OVERSEAS NEWS

Karami orders militias off Beirut streets

BY NORA BOUSTANY IN BEIRUT

LEBANESE Prime Minister Rashid Karami yesterday ordered militia groups off the streets of Beirut by 6.00 am (0300 GMT) today after Syrian army officers joined a high-powered west Beirut peace committee.

He said police and troops would attack any gunman ignoring his deadline "whoever he may be and to whichever faction he belongs."

Meanwhile fighting flared across the city's Green Line following belligerent remarks by Mr. Walid Jumblatt, the Druze leader.

The arrival of five Syrian observers as part of a co-ordinating committee in charge of supervising a plan for ending the anarchy in the Muslim half of the capital did not do much to soothe combatants on both sides of the traditional confrontation line dividing Beirut into Christian and Muslim halves.

Mr. Jumblatt delivered a fiery speech to members of his Druze militia on Sunday indicating there would be no reconciliation as long as the Christian Phalange Party was in power, a reference to President Amin Gemayel. "They either kill us or we kill them," he told a unit of the People's Liberation Army.

Kamal Jumblatt forces during a luncheon at his Chouf Mountain residence of Mukhtara.

At least 30 Syrian observers and five intelligence officers are expected to establish themselves here to help carry out a security accord hammered out in Damascus last week by 15 of Lebanon's Muslim political and religious leaders.

The Lebanese police, known as the Interior Ministry Force, will be supported by a Lebanese army strike force to be forged from the various Christian and Muslim brigades, in making sure no militiamen appear on the streets with arms and that militia officers that are not in the absence of government authority, remain closed. The crucial and essential step of

A car bomb exploded yesterday in south Lebanon, killing at least six Lebanese, including two Israeli soldiers, according to Israeli radio said. AP reports from Tel Aviv.

The report said the car exploded near the village of Tabbat, five miles north of the Israeli border, at a military checkpoint on the boundary of Israel's designated "security zone" in South Lebanon. It was the third car bomb explosion in south Lebanon in less than a week.

collecting weapons from the warring factions is not part of immediate plans.

Aides to Mr. Jumblatt last week commented that response by the various groups in closing down offices was just temporary and due to their distrust of one another. The Druze leader threw a damper on the Syrian-backed security plan by stressing that "there can be no solution in Lebanon as long as this damned (Phalange) party exists."

The Damascus meetings last week largely aimed at stemming inter-Muslim friction that manifested itself daily with street battles, bomb attacks and killings. The Christian camp, which is divided over its stand on the Damascus initiative, has not been included in, or consulted about, the proposed measures. Mr. Kamel Chamoun, an ex-president and the most senior Christian spokesman has scoffed at the Muslim-negotiated Damascus agreement.

Fast experience in Beirut's various militia power has shown that such security plans are usually short-lived. If at all successful. As shelling kept inter-city access links closed and Mr. Karami said fighting across the confrontation lines would be tackled separately, Beirut held out little hope for improvement.

Last ditch talk to avert general strike in Israel

BY DAVID LENNON IN TEL AVIV

MARATHON negotiations were continuing in Israel last night as the Government tried to reach agreement with the unions on pay levels in an effort to avert the general strike set for today.

Government and union officials have been locked in intensive discussions for the past two days over the level of wage erosion the unions will agree to under the government's new economic austerity programme, designed to battle the soaring inflation and declining foreign currency reserves.

Officials of the Mista'aruf trades union federation said yesterday evening that plans for the general strike were going ahead. The strike would definitely take place, they said, if agreement is not reached on the amount of compensation to be paid to the workers in return for their agreement to a complete wage freeze for three months.

The strike will be total except for public transport, petrol sta-

tions, radio and television and the hospitals which will work according to normal weekend shifts, the Mista'aruf decided yesterday.

This is part of the government's effort to curb inflation which totals 380 per cent in the past 12 months. It was announced yesterday that inflation in June was a record 14.9 per cent. This was less than the Government had feared, but it does underline the failure of earlier efforts to control inflation through voluntary wage and price controls.

Agreement was reached yesterday afternoon on most aspects of compensation for inflation for wage earners in the private sector. In addition to a 14 per cent one-time payment being offered by the Government, the private sector will make a further payment of 12 per cent of the June salary in September and the level of net wages will be assured in October by tax adjustments.

Khmer Rouge shifts stance over future Government

BY CHRIS SHERWELL, SOUTH-EAST ASIA CORRESPONDENT

THE Khmer Rouge, ousted from power in Kampuchea by Vietnamese troops in 1979, has tacitly accepted that a future national Government might include the Hanoi-installed Heng Samrin group and not itself.

The admission, which amounts to a significant concession by the militarily powerful Peking-backed group, came in a broadcast on Sunday, monitored by the BBC. The broadcast, detailed a seven-point statement said to have been agreed at a meeting of Khmer Rouge cadres on July 5 and 6.

According to the statement, the Khmer Rouge is ready to accept former Prince Norodom Sihanouk as president of Kampuchea, and would also "welcome other Cambodians, including Heng Samrin" if they stopped supporting Vietnam's interests. Currently the Khmer Rouge is part of a three-year-old tripartite coalition led by the

Prince hating to oust the Heng Samrin regime.

In another surprise admission, the Khmer Rouge also said that it "may or may not be able to participate in the responsibility of national government, a clear hint that it was ready to stand aside if the Khmer people so decided. The party even suggests that a future Kampuchea would be "liberal and capitalist" in economic policy and be a "parliamentary democracy."

The statement appears to offer fresh avenues for the pursuit of a political settlement of the vexed Kampuchean question, provided—as the Khmer Rouge makes clear—Hanoi is prepared to consider withdrawing its 160,000 to 180,000 troops.

Hitherto Hanoi has refused to do this, without the "elimination" of the Khmer Rouge's senior figures, Pol Pot and Ieng Sary, and an end to arms supplies for the resistance coalition's guerrillas.

Khartoum march dispersed

BY JOHN MURRAY BROWN IN KHARTOUM

RIOT police used tear gas and baton charges to disperse a march by Sudanese bank employees in the capital Khartoum yesterday. There were a number of injuries and some arrests. The bank union immediately called out its members on a one-day strike.

The marchers, estimated at over 2,000 were demanding the sacking of Mr. Fakki Mekki, the governor of the Sudanese Central Bank. They also called for

subsidies on basic commodities and a rejection of any IMF reform programme.

An IMF team was recently in Khartoum to discuss moves to resolve the Sudan's debt crisis. At present external debt to the Government and commercial banks stands at \$9bn (\$8.5bn). A more immediate obstacle is the \$127m owed in arrears payments to the Fund. IMF officials are said to have made little progress on these issues.

John Elliott reports on New Delhi's plans to make the Ganges chemically clean as the River Thames

Technology comes to the aid of India's sacred river

INDIANS are in no doubt that their sacred River Ganges is not only the most spiritually pure but also one of the most polluted major waterways in the world. Now they want to make it as chemically clean as the River Thames and as commercially useful as the Rhine.

The waters are not as dead as the Thames before it was cleaned, but this 2,525 km-long holy river, whose basin accommodates 25 per cent of India's 750m population, has no fully operational sewage treatment plants.

The holiest city of Varanasi pushes 25m gallons of untreated sewage a day into the river where hundreds of Hindus bathe at dawn, alongside the occasional floating corpse, to purify their souls.

There have been several ineffectual initiatives: many sewage treatment plants are not working either, as often happens in India, because the machinery has broken down, or because the electricity has been cut off after bills have not been paid.

Some towns have merely diverted the open sewers to empty into the river downstream of their own areas, so passing their pollution on to neighbours.

A new five-year cleaning programme, costing an estimated \$170m, was announced as a top priority by Mr. Rajiv Gandhi when he became Prime Minister

at the beginning of the year.

The Netherlands is providing technology and equipment for a two-year pilot project to start restoring the river to the importance it had before railways and major roads were developed. It is contributing one-third of the \$650,000 cost of opening up the river from Patna in the east to Allahabad, 600 km upstream, once a new lock in the giant Farakka barrage is completed.

International attention was focused on Mr. Gandhi's scheme when both France and the U.S. offered technological help during his foreign tour last month. Water treatment experts from these and other countries, including a team from the Thames Water Authority, and others from the Netherlands and West Germany, are now descending on New Delhi to sell their expertise at making money out of sewage. But anyone who thinks they can joke about the Ganges—or the Ganga as it is called in Hindi—should beware.

"We have brought the water from the holy river at Gangotri, the holiest spot in the Himalayas where the Ganga is said to have descended from heaven," Mr. Gandhi curtly replied when asked in Paris whether the Seine would be polluted by Ganges water which Mr. Gandhi had just ceremoniously poured in to the French capital's river.

"The Ganges is the most well known river in the world



and is the source of the growth of the Aryan civilisation. It is a place of honour in the minds of men," said Mr. J. A. Kalyanakrishnan, Permanent Secretary of the Department of the Environment in New Delhi, when asked why the Ganges was to be purified and why India's other major rivers were left with little hope of such treatment.

Mr. Kalyanakrishnan also could not entertain the idea that it might be more socially useful to sort out the poor state of open urban sewers

before bothering with the river. In common with most of the rest of India, only 10 of the largest 50 towns and cities on the Ganges with populations of over 50,000 have any form of closed sewers. In only two of those 10 are more than 50 per cent of dwellings linked to the sewers.

Research into cleaning the Ganges started in 1978. Seven months before she died last year, Mrs. Indira Gandhi commissioned an action plan that has now been taken up by her son. The research showed that

unlike the pattern in industrialised countries, industrial waste and pesticides from agricultural land cause minimal damage compared with sewage. Relatively little damage is also done by the much-publicised dead bodies.

"The dead find salvation in the river for people who can't afford burials or cremations," says Mr. Kalyanakrishnan.

"I have heard that people in Varanasi float dead animals from one end of the town to the other to mature the blades in the water," says Mr. N. Chaudhuri, chairman of Central Pollution Control Board. He estimates that 100 dead bodies only cause the pollution of 3,500 peoples' sewage, so with a population approaching 200m in the Ganges basin, sewage is the first priority.

Estimates show that 89 per cent of the total sewage comes from 29 towns and cities with populations over 100,000 on the main river. So these are to be tackled in Mr. Gandhi's initiative, with other towns and the river's 21 tributaries left till later.

The plan is to intercept open sewers where they flow into the river with wells, pumping stations and a new line of sewers that will link these points to one or two "resource recycling units" located at either end of a town on the river bank.

India wants to use the waste

for making poultry feed, for fish breeding and irrigation, manure manufacture and energy in the form of biogas.

The researchers estimate that the units should produce a surplus of 73p (11 rupees) per person per year after running costs of \$1.50 and output of by-products worth \$2.23.

Foreign experts, including visitors from the U.S. Environmental Protection Agency, doubt whether this can be achieved. Indian civil servants and engineers are not yet sure how much help or finance they need, although they acknowledge they do need advice on managing the project.

They will look at alternative technologies for sewage digestive systems and the recycling units. The World Bank, which is already involved in various water projects in India, is also offering help.

There is no plan to try to clean the Ganges of its existing pollution because, says Mr. Chaudhuri, the river should clean itself enough within 10 years once the sewage is diverted.

"It is a holy river and has greater self cleaning properties than usual. It cleanses organic matter three times faster than other rivers and nine times faster than those in temperate climates," he says, mixing the expert knowledge of an engineer with the mysticism of a Hindu.

Lange welcomes stopping of All Black tour

BY ANTHONY ROBINSON IN JOHANNESBURG

SPORTING South Africa was in mourning yesterday following the interdict by New Zealand High Court Judge Mr. Justice Casey forbidding the New Zealand All Blacks rugby team from departing for their controversial tour of South Africa.

Dr. Danie Craven, president of the South African rugby board, declined comment on the decision until he heard officially from the New Zealand rugby authorities, who are meeting today to assess the situation, but Mr. David Lange, the New Zealand Prime Minister, said in Wellington that his Government would oppose any attempts to

arrange a substitute tour. He said he sympathised with the disappointment of individual members of the All Blacks and their families. "But if you ask me who I most feel sorry for it is for four out of five South Africans who don't get a vote . . . for the people who are shoved into the home-land situation . . . for the 320,000 people who have been shot there," he said in a reference to the recent spate of rioting in South Africa.

In Sydney, the chairman of the world rugby union's ruling body said that it would ban South Africa and the players involved if it tried to organise a "professional rebel tour." Mr. Roger Vanderfield, of the

International Rugby Board, said: "There is nothing to stop rugby players going to South Africa as individuals or as part of an invitation rugby side. But if they go as professional players to get paid for playing then that is another matter."

The All Blacks were due to arrive in Johannesburg on Friday for a 16-match tour including three international matches against the South African Springboks, but yesterday the New Zealand rugby officials cancelled the tour, saying that Saturday's court ruling had made it impossible to continue to make firm arrangements.

Two rugby-playing lawyers had brought legal action against

the rugby authorities, saying the tour was against their own constitution which bound them to foster the sport. The court granted an injunction preventing the team from leaving until the action had been settled.

The final ruling on the legality of the tour is expected within the next two weeks but in the meantime controversial plans are afoot to organise a "rebel tour" by All Black team members. The man behind the rebel tour proposals is New Zealand lock Andy Haden, but the scheme would have to be sanctioned first by the South African Rugby Board. Dr. Craven indicated Sunday that he would not give approval and stated flatly "there will be no rebel tours."

Deng says China's reforms are 'an important test'

BY ROBERT THOMSON IN PEKING

IN A VARIATION on the theme that China's economic reforms are an "experiment," the Chinese leader, Deng Xiaoping, said yesterday that the reforms are "an important test" and "we must pass the test."

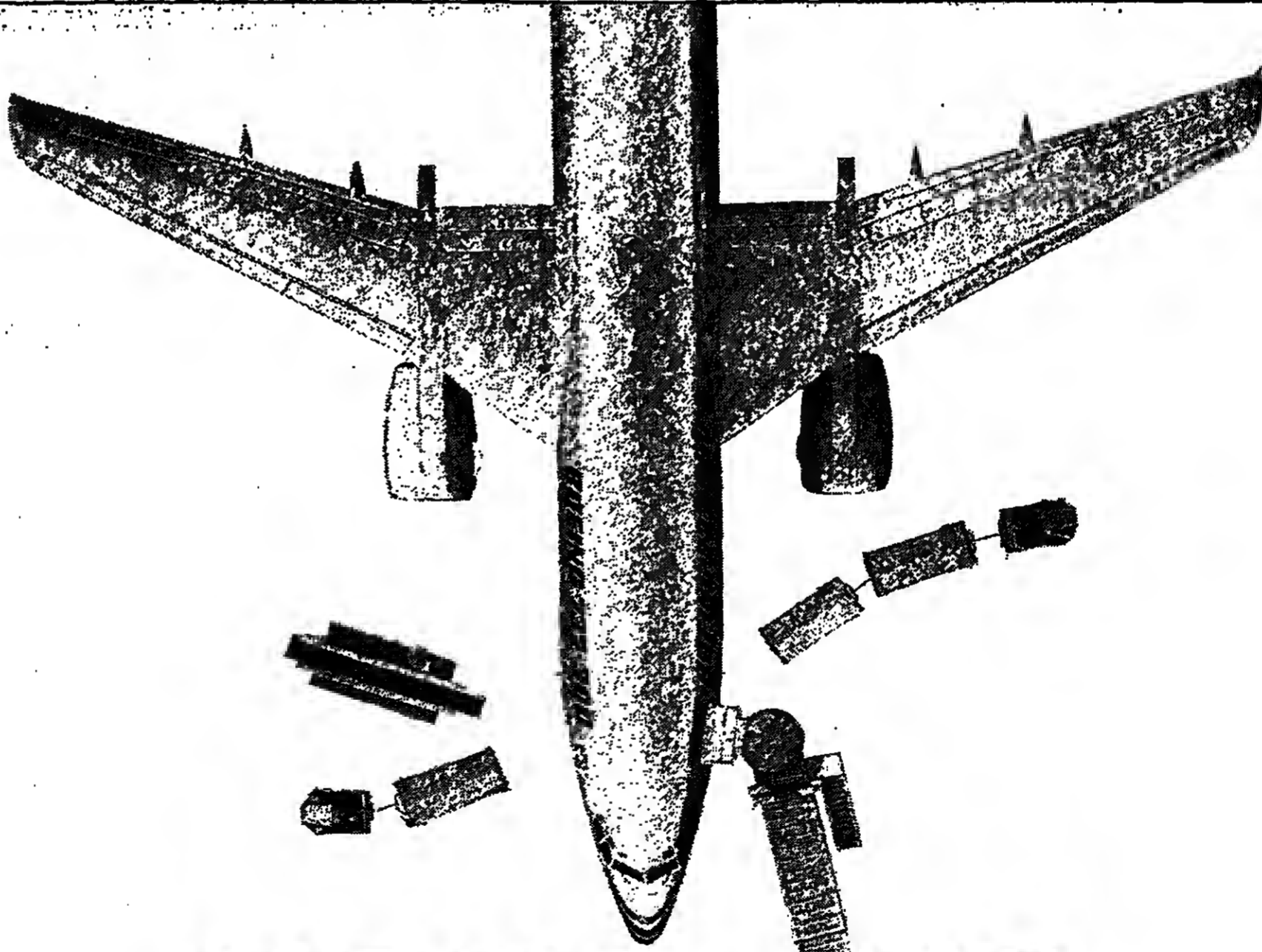
Deng has surprised Western observers in recent weeks with statements that China's "open door" policy is an "experiment." A widely-accepted interpretation here is that he is responding to concern within the leadership over the pace of introducing the reforms.

At a meeting yesterday with the visiting Prime Minister of Trinidad and Tobago, Mr. George Michael Chambers, the Chinese

leader said that persevering with the open policy is a necessity.

"If we do not carry out reform and do not persevere in the open policy, it will be impossible for us to attain our strategic objective of economic development," he said.

"I believe our policy will succeed. Of course, during the reform there will be certain twists and turns and even mistakes of various degrees, but we will correct mistakes as soon as they are found. If one method proves ineffective, another will be used. All in all, we must always sum up experience and draw lessons."



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AMERICAN NEWS

A self-confessed PRI ballot-rigger tells David Gardner how he 'wins' elections

Mexico's alchemists 'ensure victory at polls'

MEXICO'S ruling Institutional Revolutionary Party (PRI), which has held uninterrupted power here for 66 years, won the July 7 elections in the northwestern border state of Sonora — where it faced probably its most threatening challenge at the polls since 1940 — by allegedly resorting to wholesale electoral fraud.

This was asserted to the Financial Times and the Times by a man who, on his own confession, has for the past two years been a key member of a 200- to 300-strong malleable team of ballot-riggers employed by the PRI and the Interior Ministry.

The team of ballot-riggers, known as the "Operación Nifón" (Operation Nifón), has been employed in at least four state elections, including the key July 7 Sonora contest, to cheat the opposition right-wing National Action Party (PAN) out of victory. This complements the more obvious types of ballot fraud already used and widely witnessed again this time.

The alchemist, who agreed to be pseudonymously named Dionisio, provided details of how his team rigged elections in Baja California Norte, the peninsula below California, in September 1983, in the northern Pacific state of Sinaloa, in November 1983, and in the north-eastern border state of Tamaulipas in December 1983. Dionisio knew that Operación Nifón was being mounted again in Sonora because he had been approached by the PRI to take part in it.

Dionisio agreed to the interview because he was disenchanted with the PRI and said: "I am a PRIista by conviction but this destroys one's morale. The PRI cannot survive like this indefinitely because it is dangerous and heats up people's blood, opening up the country to ideologies alien to Mexican idiosyncrasies," he said, refer-



A PRI election rally in Sonora last month

ring not to the challenge from PAN but the dangers of communism taking root. He said he was in no doubt he would be killed if his identity were discovered.

Operación Nifón was first used in September 1983. This was after apparently clean state elections in the northern states of Chihuahua and Durango in July 1983 saw the PAN win decisive victories in most major town halls and both state capitals.

The PAN looked set to win a state governorship, something never previously conceded by the PRI. A decision appears to have been taken to stop the PAN at all costs, even if this meant going back on President Miguel de la Madrid's pledge for a more open democracy and to campaign against corruption.

In interviews in March, June and August last year, two senior PRI officials privately admitted to the Financial Times that the party had won through fraud against the PAN in 1983 in Mexico, in Baja California Norte and in Puebla, a conservative enclave south of Mexico City.

Prior to this month's elections for seven state governorships, the whole of Congress and more than 800 town halls, both President and Sr Manuel Bartlett, the Interior Minister, promised to honour opposition victories. After the poll, however, senior PRI officials claimed a victory at Albanian proportions.

In Sonora, the local party claimed 100 per cent of the offices up for election, while nationally the PRI said it had won all 300 of the Congressional seats contested on the first-past-the-post system (a further 100 are handed out among the opposition parties on a proportional representation system introduced in 1977).

The result, particularly in Sonora, has been strongly challenged by the PAN alleging fraud. Even the independent leftist parties, opponents of the conservative PAN, said they believe PAN has been cheated.

The mechanics of Operación Nifón used in Sonora are, according to Dionisio, virtually impossible to detect. The president of the polling-booth, invariably a PRI member, and the Opposition's poll-watching representatives are required to fill in an innocuous form and

sign it, saying that at such and such a time, with ballot-slips, urns, and electoral register all in place, voting began.

In the course of the morning, Dionisio alleges, an alchemist turns up at the booth, with either falsified or real credentials accrediting him to the state Electoral Commission, the body which counts the votes and is again dominated by the PRI by virtue of its control over the 31 state Governorships.

The alchemist requests this form, which carries no record of voting, saying it will be passed on to the Electoral Commission as part of the monitoring process of clean elections. The form is then taken to the alchemist's central laboratory where the professional forgers where the professional forgers where the professional forgers

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Dionisio alleges unhesitatingly that the PRI and the Interior Ministry collude in this fraud which helped produce results like the following. One hour before polling closed on July 7, the Electoral Commission announced the results of the rural areas surrounding Ciudad Obregon, a PAN stronghold where the PRI and the Interior Ministry collude in this fraud which helped produce results like the following.

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IFC investments rise by 55%

AT THE end of the first year of a major expansion programme, the International Finance Corporation, a World Bank affiliate, yesterday reported that its new investments increased by 55 per cent to a record \$618m (\$442m) in the year ending June 30, writes Stewart Fleming. Its net income rose 8 per cent to \$28.5m.

The increase in the multi-lateral development agency's net income was calculated after making an addition to its

\$29m provision against possible losses on investments. The provision is slightly lower than the one made in the previous year.

Sir William Ryrie, executive vice president of the IFC, said that last year the corporation was "able to get back on to a high growth track after several relatively flat years."

Sir William cited several innovations in the IFC's operations over the past year. It has added variable interest rate loans to its package of

investment services, it has used its power to guarantee investments, it has raised capital directly from the private markets rather than the public, and it has put forward proposals for an African project development facility to help the private sector in Africa appraise and finance projects.

Sir William defended the IFC's lending programme in Africa where it has suffered heavier losses than in other regions of the world.

Ryrie brings new broom to development agency

BY STEWART FLEMING IN WASHINGTON



Ryrie: making changes

IT TAKES a few moments to adjust to the idea of a small multi-lateral development agency helping to plant the seeds of capitalism in the minds of Chinese communists. But that is precisely what the International Finance Corporation, a World Bank affiliate, is doing with its first investment in China.

As part of a deal under which the IFC will joint with Automobiles Peugeot of France and the Chinese bus assembler Guangzhou Automobile Manufacturing (CAM) to establish a \$80m (\$58m) pick-up truck production facility, the Chinese Government agreed to sell 10 per cent of the shares in the plant to the public, giving workers preference in applying for the stock.

The Chinese initiative is undoubtedly a feather in the cap for Sir William Ryrie, the new executive vice-president of the IFC, who moved to the IFC from his post as permanent secretary of Britain's Overseas Development Administration in October of last year.

Achieving this sort of goal is clearly going to be a challenging task. Much of the developing world is struggling to escape from a financial strait-jacket which has thrown economies into turmoil. Many governments of developing countries have still to accept the idea implicit in the IFC's capital increase, namely that foreign private direct investment must again play a bigger role in their economic development. Some development experts argue that for the foreseeable future the projects to be financed will generally be smaller. They wonder whether a Washington-based institution is well placed to ferret them out.

There are also sceptics who wonder whether, notwithstanding his experience as an executive director of the International Monetary Fund in the 1970s, a man such as Sir William, who has spent his life in government service, has the right background for the job.

Whether or not Sir William, however, is that Sir William is tackling the challenges head on, particularly the job of reorganising the IFC to try to achieve its goals. Within a few months of taking office, the new head started sweeping away at the cobwebs. Management was restructured

at the top away from its regional focus to create, in Sir William's words, "a small senior management team each of whom has a corporate wide view". Some senior officials, retired in the process, created a mood of uncertainty among the staff.

Sir William also took the initiative of forcing the IFC to take a closer look at the results of its own operations. A worrying deterioration in the loan portfolio, rising delinquencies on loans and write-offs on investments, have been tackled partly through a decision to improve the loan work-out function.

A special investigation was conducted to try to establish the source of the problems. The conclusion was that unfavourable economic conditions, rather than poor IFC staff work, was largely to blame. But doubts were expressed about the way some of the IFC-backed projects were financed. In structuring some deals, more attention could have been paid to the risks of adverse changes in overall economic conditions, particularly the danger associated with exchange rate fluctuations.

The IFC, however, is meant to be a risk-taking development institution. It is not expected to finance projects far which private finance is readily available. Government guarantees are expressly forbidden. So although the IFC is expected to make a profit, and has done, it ends up taking stakes or financing the more risky investments with only narrow profit margins built into its share of the projects.

Sir William recognises both the challenge that he faces and the need to deal with some of the criticisms which have been levelled at the IFC. He is looking at ways to speed up the IFC's decision making processes while at the same time trying to make prospective investors in the developed world more aware of the IFC and its role.

Sir William, in bringing the IFC more into the spotlight, can expect to have its, and his, performance more closely monitored, not least because of the enthusiasm among the governments of the industrial countries to see private capital play a bigger role in the development process.

Design blamed for Pemex blasts

BY MAURICE SAMUELSON

FAULTY design appears to have caused last November's accident at Mexico City's main gas distribution centre, in which more than 500 people were killed and up to 7,000 injured. This is one of the conclusions of an inquiry by a Dutch team of safety experts into the series of explosions on November 20 which caused the highest death toll in any petrochemical disaster.

The inquiry was carried out by TNO, the Netherlands Organisation for Applied Scientific Research, whose findings are being studied by Pemex, the Mexican state-owned petroleum company which owns the liquid petroleum gas (LPG) installations at Mexico City.

The disaster involved about 12,000 cubic meters of LPG stored in six spheres and 48

cylinders of various sizes. The number of casualties was due partly to the fact that there was a densely populated district only 130 metres from the tanks, compared with a minimum safety distance of about 300 metres.

The TNO team believes the blast may have been caused by a design fault and an operating fault.

The design fault appears to have been the use of a very powerful pump, intended for long-range transmission of gas through a 230-km pipeline, for local distribution at the gas storage centre. This seriously weakened some of the high pressure vessels.

At the same time, the operators appear to have allowed the pressure vessels to be over-filled, thus eliminating their safety margin.

Instead of tanks being filled only to 90 per cent of their maximum capacity, they were filled to 100 per cent. As a result, the pressure in some tanks was twice as high as intended, of their design capacity of 10-15 bar.

TNO, which employs 5,000 people and is financed by the Dutch Government and private industry, says it was the only safety research establishment permitted to investigate the accident.

It is own initiative, it is also investigating the cause of last winter's explosion at the Union Carbide plant at Bhopal, India. TNO says its Mexico City report has attracted world-wide interest among governments and industry.

The petrochemical industry, in Britain, copies have been ordered by the British Gas Corporation, British Petroleum and Shell UK.

Conservatives forecast to triumph in Bolivian poll

BY HUGH O'SHAUGHNESSY

FORMER General Hugo Banzer and his conservative Nationalist Democratic Action (UDN) party took a lead as voters counted, started after Sunday's general elections in Bolivia.

According to unofficial tallies by Radio Fides Sr Banzer, who ruled the country from 1971 to 1978, had won 41 per cent of the vote, twice as many as his nearest rival, former President Victor Paz Estenssoro of the Revolutionary Nationalist Movement.

In third place was the leading candidate of the left, former Vice-President Jaime Paz Zamora.

The party of President Hernán Siles Zuazo, the Revolutionary Nationalist Movement of the Left (MNR), was in fourth place with less than 5

per cent of the votes.

If the candidate receives more than half the vote, the new congress, elected yesterday, will elect him president. If not, between the three candidates with the most votes. The new president is scheduled to take office on August 6.

President Siles, a veteran leader of the moderate left, stepped down last year to step down from office a year early under pressure from his opponents.

Sr Juan Lechin, the ultra-left leader of the COB trade union confederation, accused him of sacrificing workers' interests to those of the country's foreign creditors, who he said had exploited his inability to control inflation now running at a rate of more than 5,000 per cent a year.

UK GROUPS SHARE IN RAPID TRANSPORT CONTRACT

Australians win HK\$1 bn rail order

BY DAVID DODDLE IN HONG KONG

A CONSORTIUM headed by the Australian group Leighton Construction (Asia) has been awarded a HK\$1bn (\$97m) contract to build the first phase of a major new rapid transit system in Hong Kong's North-West New Territories.

The contract, awarded by Hong Kong's Kowloon Canton Railway Corporation, is one of two major construction contracts that have been fiercely contested in recent months.

The second — to build a HK\$2

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BUILDING SOCIETY RATES

Abbey National	Share	Sub'n	Other
	8.25	9.25	9.50
Ald to Thrift	9.80	—	—
Alliance	8.25	9.25	—
Anglia	8.25	9.25	—
Barnaby	8.25	9.25	—
Bradford and Bingley	8.25	9.25	—
Bristol and West	8.25	9.25	—
Britannia	8.25	9.25	—
Catholic	8.25	9.25	—
Century (Edinburgh)	8.25	9.25	—
Cheltenham and Gloucester	8.25	9.25	—
Citizens Agency	8.25	9.25	—
City of London (The)	8.25	9.25	—
Coventry	8.25	9.25	—
Derbyshire	8.25	9.25	—
Frome Salvage	8.25	9.25	—
Gateway	8.25	9.25	—
Greenwich	8.25	9.25	—
Halifax	8.25	9.25	—
Heart of England	8.25	9.25	—
Home Counties	8.25	9.25	—
Huddersfield and Rugby	8.25	9.25	—
Lambeth	8.25	9.25	—
Leamington Spa	8.25	9.25	—
Leeds and Holbeck	8.25	9.25	—
Leeds Permanent	8.25	9.25	—
Leicester	8.25	9.25	—
London Permanent	8.25	9.25	—
Midshire	8.25	9.25	—
Mornington	8.25	9.25	—
National Counties	8.25	9.25	—
National and Provincial	8.25	9.25	—
Nationwide	8.25	9.25	—
Newcastle	8.25	9.25	—
Northern Rock	8.25	9.25	—
Norwich	8.25	9.25	—
Peckham	8.25	9.25	—
Peterborough	8.25	9.25	—
Portsmouth	8.25	9.25	—
Property Owners	8.25	9.25	—
Scarborough	8.25	9.25	—
Skipiton	8.25	9.25	—
Stroud	8.25	9.25	—
Sussex County	8.25	9.25	—
Thrift	8.25	9.25	—
Town and Country	8.25	9.25	—
Westex	8.25	9.25	—
Westwich	8.25	9.25	—
Yorkshire	8.25	9.25	—

All these per cent rates are after basic rate tax liability has been settled on behalf of the investor

UK NEWS

Arthur Smith reports on a change of mood in the West Midlands

Industrial heartland warns on recovery



Sir Arthur Bryan: Urges 4% interest rate cut

INDUSTRIALISTS in the West Midlands, Britain's manufacturing heartland, have a clear message for the Government: the economic upturn appears to have peaked, may be faltering, and action is needed.

There is widespread derision of the arguments put forward by Mr Nigel Lawson, Chancellor of the Exchequer, in rejecting the plea from the Confederation of British Industry (CBI) for a cut in interest rates and an easing of the value of sterling.

"We are the people placing and receiving the orders. We can see what is happening now," insists Mr Colin Perry, the chairman of the CBI West Midlands council.

"Industrialists are concerned that growth may be coming off the top. We don't want the Chancellor to see us until we are into another downturn. His optimism is based on historical statistics, rather than what is happening in the market place."

The Midlands, traditionally regarded as the barometer of economic activity with its concentration of 14,000 manufacturing companies, has recovered only slowly from a recession which swept away 300,000 jobs and whole chunks of its metalworking, engineering and automotive industries.

Improvement has been gradual over the past 18 months. "It's been gradual and bloody hard going," says Mr Jim Cran, the CBI regional director.

Until a month ago, he was reporting with optimism a continued strengthening of orders in the home market. There was a steady, albeit marginal, increase in output and a measure of success in fiercely competitive export markets.

The recovery was from a low base, very patchy, with wide variations between companies and sectors. But the confidence was real. That mood has changed in recent weeks.

"I don't think it was ever euphoria," says one top director. "But there was a tendency 12 months ago for everybody to breathe a big sigh and say, thank God we have survived."

Discussion at the last meeting of the CBI regional council indicated that the upturn might already have peaked. It might be merely a plateau. But one large company commented: "The boom is over and we are now quietly sliding down again."

Mr Perry says orders for the next few months are distinctly thinner. More companies expect to reduce

rather than increase jobs. Unemployment, in a region with a level of jobless rivaling the worse of the development areas, will continue to rise.

The change of business confidence is noted by Mr Eric Swainson, managing director of IMI, the metal group, and chairman of the body which advises the Department of Trade and Industry on the award of grants now that the region has assisted area status.

"There is a feeling of uncertainty, some qualms, some unease. The year started quite well but, looking to the next six months, there must be more doubts than there were just 12 months ago," he says.

He attributes the change to a combination of rising inflation and high interest and exchange rates. He points to a serious constraint, the Chancellor raised interest rates to protect the pound but now argues that pressure on profit margins will encourage companies to moderate wage awards.

"There is a feeling among industrialists that they are at the end of the line again and expected to do everything."

That is a viewpoint expressed by Mr Alistair McWilliam, managing director of the Armstrong Engineering group of companies, engaged in everything from metalworking, pressings and fabrications, through to sophisticated cooling equipment.

"The Government panicked by putting up interest rates and now we have got the worst of all worlds."

He had had to fight hard to stay profitable on an annual turnover of £3.7m with 130 workers.

"I have invested in all the things Mrs Thatcher would want me to do. I have invested in new machinery, new technology, new products and new people. Now her Chancellor tells me all I have to do is hold down wages to get big profits."

Mr Carter argues that Mr Lawson has no conception of the investment and working capital needed by manufacturing industry.

"It costs a lot of money to bring a new product through from design prototype and production before you start to get a return."

His customers had shortened lead times to reduce working capital. "Do I carry stock or run the risk of being caught out and losing the business? These are decisions we have to take every day."

The burden of high interest charges inevitably weighs heavily upon these survivors badly mauled by recession - their successful re-

productivity and cut labour rather than introduce new capacity.

"Just as we believed we had come successfully through the recession and were beginning to invest in product and process development, we are going to be forced to have a long hard look," says Mr Norman Birch, managing director of the UK subsidiary of National Standard of the U.S.

His company, with a turnover of about £25m and 450 workers, supplies various types of wires used throughout industry, but 80 per cent of output is exported. "We are an international company operating in international markets."

The strength of sterling against other European currencies, especially the Belgian franc - Belgium is the main competitor for National Standard - was a serious constraint. "I have moved from a bullish view of our prospects at the turn of the year to a bearish view."

He has written to Mr Lawson about the Chancellor's comment that companies should restrain wages rather than seek cuts in interest rates.

"I pointed out that a 10 per cent appreciation of sterling against European currencies would have the same impact on our profits as doubling the wage bill."

Mr Alan Carter, chairman of Hiton International, a private engineering company in the Birmingham suburbs, argues that business opportunities are available but investment is not taking place because of the cost of borrowing.

The continuous squeeze on exports is highlighted in the latest business confidence survey by the West Midlands Chambers of Commerce, which tends to represent smaller companies. Performance on both overseas orders and deliveries deteriorated.

Mr Roy Fellows, chairman of the group, maintains that the strong recovery in the value of the pound is an important factor inhibiting growth. He points out that 73 per cent of the companies surveyed highlighted lower interest rates as the single most important factor in improving prospects.

"Interest rates have been far too high for far too long," says Sir Arthur Bryan, chairman of Wedgwood, the pottery company with 60 per cent of its sales overseas.

"As long as we have real levels of interest above those of our major competitors in Japan and West Germany, we shall continue to have problems."

He maintains that the CBI has been "going too gently" in its call

ahead of yesterday's ½ a percentage point cut in interest rates, for a two point fall. "I am for 4 per cent," he declared. "Wage increases out of higher profits were correct provided they were backed by higher productivity."

"I support such increases for people who have worked hard to become competitive and create profits. It is their expectation and their right and they should be rewarded."

However, the idea that increased profits might provide the cushion to offset inflated wage deals is treated with derision in a region which, from being the pacesetter on pay, has become a model of restraint in recent years.

Recent settlements have been running at around the 6 per cent level but, Mr Cran insisted, they are usually backed by productivity advances. "Pay is not a problem in this region."

Indeed, some trade union leaders will confide in private. "Management can do virtually what they like and they know it."

There is adequate evidence of new work practices and companies nipping unit costs to price themselves back into markets previously lost. But senior managers tend to pour scorn on the Government's arguments that workers can price themselves back into jobs.

Dr Cedric Thomas, chief executive of the engineering employers' West Midlands Association, says the cut in wages would have to be massive to have any impact. He speaks with some experience, having seen membership of his organisation shrink from 1,200 companies to 1,000 in the wake of closures and mergers.

"Cheap labour is a thing of the past. Companies require flexible and skilled workers upon which to build a future," he argues.

There is undoubtedly a mood of frustration with the Government among industrialists. But Mrs Thatcher's "hands off" approach to industry meets with favour.

Typical of the comments is that by the chairman of one of the Midlands high companies. "We know how to run our business without the help of government. But on interest rates and the value of sterling we are at the mercy of outside forces. All we want is to be allowed to compete internationally on equal terms."

Mr Perry insists that action is urgently needed. "It's no use the Chancellor sitting and waiting until he has the statistics in his hands that prove we are right."

Bank of Scotland Base Rate

Bank of Scotland announces that, with effect from 16th July 1985 its Base Rate will be decreased from 12.50% per annum to 12.00% per annum.



Courts & Co.

Courts & Co. announce that their Base Rate is reduced from 12.50% to 12.00% per annum with effect from the 16th July, 1985 until further notice.

All facilities (including regulated consumer credit agreements) with a rate linked to Courts Base Rate will be varied accordingly.

The Deposit Rates on monies subject to seven days' notice of withdrawal are as follows:-

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6.625% per annum Net (the Gross Equivalent of which is 9.46% per annum to a basic rate tax payer).

Rates are subject to variation and interest is paid half-yearly in June and December.

*Not ordinarily available to individuals who are U.K. residents

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Base Rate

Williams & Glyn's Bank announces that with effect from 16th July 1985 its Base Rate for advances is reduced from 12½% to 12% per annum.



Williams & Glyn's Bank plc

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Base Rate

With effect from the close of business on 15th July, 1985 and until further notice TSB Base Rate will be 12% p.a.

Trustee Savings Banks
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Barclays Bank PLC and Barclays Bank Trust Company Limited announce that with effect from 15th July 1985 their Base Rate was decreased from 12½% to 12%.



Reg. Office: 54 Lombard St., EC3P 5AH. Reg. No's 1026167 and 929890.

Standard Chartered Bank

announces that on and after 15th July, 1985 its Base Rate for lending is being decreased from 12.50% to 12.00% p.a. until further notice.

The Deposit rates on monies subject to seven days' notice of withdrawal are as follows:
9.00% per annum for funds not liable to CRT
6.75% per annum for funds liable to CRT (equivalent to 9.61% per annum to a standard rate taxpayer).

The Interest Rates payable on High Interest deposit accounts subject to twenty-one days' notice of withdrawal are as follows:
10.00% per annum for funds not liable to CRT
7.46% per annum for funds liable to CRT (equivalent to 10.69% per annum to a standard rate taxpayer).

Standard Chartered

Girobank

National Girobank announces that with effect from close of business 15 July 1985

Base Rate

its base rate was reduced from 12½% to 12% per annum

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With effect from the close of business on 16th July, 1985, Hill Samuel's Base Rate for lending will be decreased from 12.5% to 12% per annum.

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Depositors liable to deduction for basic rate tax

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9.07% per annum gross equivalent

Interest to be paid quarterly and rates are subject to variation



Hill Samuel & Co. Limited
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UK NEWS

More ballot to join breakaway miners' union

BY JOHN LLOYD, INDUSTRIAL EDITOR

MOVES TOWARDS the fragmentation of the National Union of Mineworkers (NUM) were further strengthened yesterday when the executive of the 3,000 Derbyshire mineworkers voted to explore a breakaway from the NUM with the now independent Nottinghamshire NUM. It will hold a ballot on a split in due course.

Mr Ken Toon, general secretary of the South Derbyshire NUM area, said: "It is a sad day but we have had enough."

The Nottinghamshire area, the majority of whose miners chose to work during last year's national strike, broke away earlier this month in protest at rule changes agreed at the annual NUM conference.

Other mining areas may now follow the same route as South Derbyshire. Mr Jack Jones, general secretary of Leicestershire's 2,500 miners, said his executive would probably endorse a split with the NUM when it meets next month.

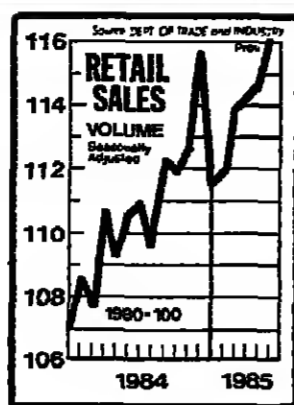
"We have now seen the whole rule book practically rewritten which, despite assurances to the contrary, means that the membership of this union can be called out on strike without any individual ballot votes," he added.

Mr Roy Lynk, leader of the Notts miners, said he was confident that other groups, including the staff group, Cose, would draw close to his breakaway union.

"My impression is that men will breakaway in other areas like Yorkshire on a pit basis, or perhaps small groups. Our aim is to set ourselves up as the democratic union for mineworkers," Mr Lynk said. He had not ruled out merger with other unions outside of the mining industry. The Notts union is a member of Mainstream, a grouping of right-led unions.

Any decision about whether to negotiate with the new union was a matter for Mr Ian MacGregor, the National Coal Board (NCB) chairman. Mr Peter Walker, the Energy Secretary, told the House of Commons.

Pressed at Question Time by Conservative MPs anxious to see the Notts men in early talks with the NCB, Mr Walker said he was sure Mr MacGregor would take the decision responsibly. Referring to a weekend call for miners' unity by Mr Neil Kinnock, the Labour leader, Mr Walker said disunity had been caused by Mr Arthur Scargill, the NUM president.



Peak for retail spending in quarter

SPENDING IN shops and stores reached a record level in the second quarter after a subdued opening to the year.

Provisional figures yesterday showed a substantial rise in the volume of retail sales in June to an index value of 115.1 (1980 = 100) in volume terms. The previous high was 115.6 last December.

This was 1.3 per cent higher than the index for May and pushed the second-quarter average to a level 2 per cent higher than that for the first three months of the year and 4 per cent higher than for the same period a year ago.

BOG-WARNER'S automatic transmissions plant in South Wales, due to close by next March, is expected to be re-opened.

A new project for the U.S. transmission group's UK subsidiary involves intended investment of about £22m.

PORTSMOUTH and Sunderland Newspapers has reached an agreement with the National Graphical Association, the craft print union, to allow the direct input of editorial copy by journalists. The deal is the first of its kind in Britain.

THE TELEVISION industry - including broadcasters, manufacturers, retailers and renters - is to hold a joint promotion for teletext to try to boost flagging sales.

THE IRON and Steel Trades Confederation, the main steel workers' union, is to urge minimum UK content legislation for all goods made in Britain.

AMERICAN BAR ASSOCIATION CONFERENCE

U.S. 'entitled' to use force against attacks by terrorists

BY WALTER ELLIS AND RAYMOND HUGHES

THE WILLINGNESS of the U.S. to use "appropriate force" in the war against terrorism was acting as a deterrent and having a "moderating effect" on the country's enemies, Mr Abraham Sofaer, legal adviser to the State Department in Washington, told the American Bar Association (ABA) in London, yesterday.

Mr Sofaer's remarks follow the recent hijack by Lebanese extremists of a TWA aircraft in the course of which a U.S. Marine on board was tortured and shot dead. President Ronald Reagan has since warned terrorists, and the states alleged to support them, that U.S. patience had run out.

"They had best heed his warning," Mr Sofaer said. "International law recognises the right to use force in self-defence against the attacks. The groups that are responsible for attacking us in Lebanon, El Salvador and elsewhere have openly announced their intention to keep on trying to kill Americans."

"To the extent that they are state-supported, or beyond the capacity of their governments to control, we are entitled now to use necessary and proportionate force to end such attacks."

The ABA was debating international collaboration against terrorism in the presence of Mr Leon Brittan, the Home Secretary; Sir Kenneth Newman, Commissioner of the Metropolitan Police; and Mr William Webster, director of the Federal Bureau of Investigation. Mr Walter Mondale, the former U.S. Vice-President, was chairman.

While Mr Sofaer was unequivocal in his views on deterrence and the use of force, he was careful to emphasise too, the use of the law in bringing international terrorism to an end.

President Reagan, he said, had flatly rejected any improper use of force. While force would play its part, the need was to develop what Mr Reagan had called "a better domestic and international legal framework for dealing with terrorism."

In this connection, the Administration had made important progress recently by amending its extradition treaty with Britain so that the "political offence" exception



Mrs Margaret Thatcher: 'Deny publicity to terrorists'

was eliminated for major crimes, such as hijacking and murder.

Mr Brittan wasted no time yesterday in reminding his audience that those in the U.S. who sent money to Ireland, "which they well know is going to the Provisional IRA," were financing "murder."

Mr Brittan said that Britain was firm in its approach to terrorism. No hijacked aircraft would be allowed to leave Britain. But international co-operation was vital, and in this connection the new Anglo-American extradition treaty - which has yet to be ratified by the U.S. Senate - would close off a loophole used by fugitives from justice.

Mr Margaret Thatcher, Prime Minister, suggested that the media should agree a "voluntary code of conduct."

"We must try to find ways to starve the terrorist and the hijacker of the oxygen of publicity on which they depend. In our societies we do not believe in constraining media, still less in censorship. But ought we not to ask the media to agree among themselves a voluntary code of conduct under which they would not say or show anything which could assist the terrorists' morale or their cause while the hijack lasts?"

She was warmly applauded when she declared that the UK Government would not give in to terrorist demands.

Result of BA's gamble still hard to predict

BY DUNCAN CAMPBELL-SMITH

IT WAS a blessing for all concerned, perhaps, that Judge Harold Greene had arranged his summer vacation well in advance.

As the ultimate arbiter in the U.S. District Court of Columbia case of Laker Airways v Pan American World Airways *et al* - the 'al' including most especially British Airways (BA) - Judge Greene's determination to close shop at the end of last week concentrated many minds wonderfully.

The result on Friday was a sudden and rather scrambled ending to a series of final, final talks which had failed on the brink of an out-of-court settlement to the Laker anti-trust action since May 8.

The last-minute rush to beat the judge's holiday deadline spurred state-owned BA and its 11 co-defendants in the case into taking a bold gamble.

In a sense, it has already paid off handsomely, but in other respects, the outcome is still hard to predict. What happened on Friday and its longer term consequences could yet overshadow BA's privatisation plans for some time to come.

BA, always the architect of the anti-trust defence, had insisted throughout on an all-or-nothing settlement. This meant a deal not just with Mr Christopher Morris, the Laker liquidator and plaintiff in the civil suit seeking damages of \$1.1bn, but also with Sir Freddie Laker himself and Mr Robert Beckman, his U.S. lawyer. A formal proposal was tabled by BA on May 8.

As the world knows, it was not a simple deal to strike. In fact, with Sir Freddie and Mr Beckman turning down offers of \$8m apiece, it was beginning after eight weeks to look impossible. BA therefore decided last week to try skinning the cat a different way.

Lord King, BA's chairman, and Mr Colin Marshall, its chief executive, called on Mr Nicholas Ridley, the UK Transport Secretary, on Tuesday evening. It was decided to abandon the comprehensive settlement - valued at \$64m, to include \$48m for Mr Morris on behalf of Laker's creditors - and to go instead for a separate deal with Mr Morris.

This would give him the \$48m already envisaged. In a critical private bargain on the side, moreover, BA would indemnify Mr Morris against any claim for costs by his lawyer - Mr Beckman, wearing another hat - who was seeking costs

in line with a contingency fee contract with Mr Morris.

BA calculated that, with Mr Morris satisfied, it would be reasonable for all the defendants to take their chances with Sir Freddie and Mr Beckman. Judge Greene appeared to be sympathetic to the defendants' approach and BA had managed by Thursday to persuade even the fainter-hearted defendants that the risk was worth taking.

The risk, that is, that Sir Freddie and Mr Beckman would only run away to fight again another day. The threat of action by Laker, a joint venture partner with Sir Freddie since February 1983 in attempts to relaunch a no-frills airline, only compounded the danger as some of the 10 airlines among the defendants saw it.

When Mr Morris arrived in Washington on Thursday, anyway, the lawyers on both sides appear to have served up a virtual *fait accompli*. The paperwork took until the early hours of Friday morning. Hours later, Judge Greene gave his blessing and Mr Morris walked away, able to announce the end of one of the most successful liquidations in UK legal history.

Then an unexpected thing happened. With the ink on the \$48m deal scarcely dry, according to one close observer, BA's lawyers made it clear they were under instructions to settle the score with Mr Beckman over costs without further delay. The two parties met privately with Judge Greene. Mr Morris delayed his press conference, awaiting the outcome.

No poker player could have asked for better cards than were now dealt for Mr Beckman. Having played his hand consummately from the beginning of the whole affair - insisting since May that the lawyers were entitled to \$80m - his nerve did not fail him at the last. BA's \$8m offer went into the waste paper basket and Mr Beckman emerged with legal fees of \$124m. But what BA and its co-defendants secured in exchange has been kept a secret.

If the agreement has won a secret undertaking from Mr Beckman not to pursue fresh litigation, and if Sir Freddie decides before August 20 to accept the \$8m left on the table for him until that date, then BA's gamble will doubtless be judged a shrewd move.

Laker's threatened action would then appear much less menacing and BA - fortified by the Govern-

ment's avowed hostility to the Laker claim - could begin to think again about a firm schedule for privatisation.

Alternatively, the outlook for the Government, BA and at least some of its co-defendants could yet be a little less sanguine than Friday's talk of a breakthrough might have suggested.

Mr Beckman is reported to have given no promises as to his future attitude. Some U.S. lawyers privately suggest it would be surprising, to put it no more strongly, to see him pursue new anti-trust actions over Laker while at the same time helping Mr Morris to implement Friday's \$48m deal. But Mr Beckman is thought to have been less than delighted with the treatment meted out to Sir Freddie by the BA deal with Mr Morris.

Laker is planning a civil action - and there are lawyers in Washington who fully expect Mr Beckman to act on Laker's behalf.

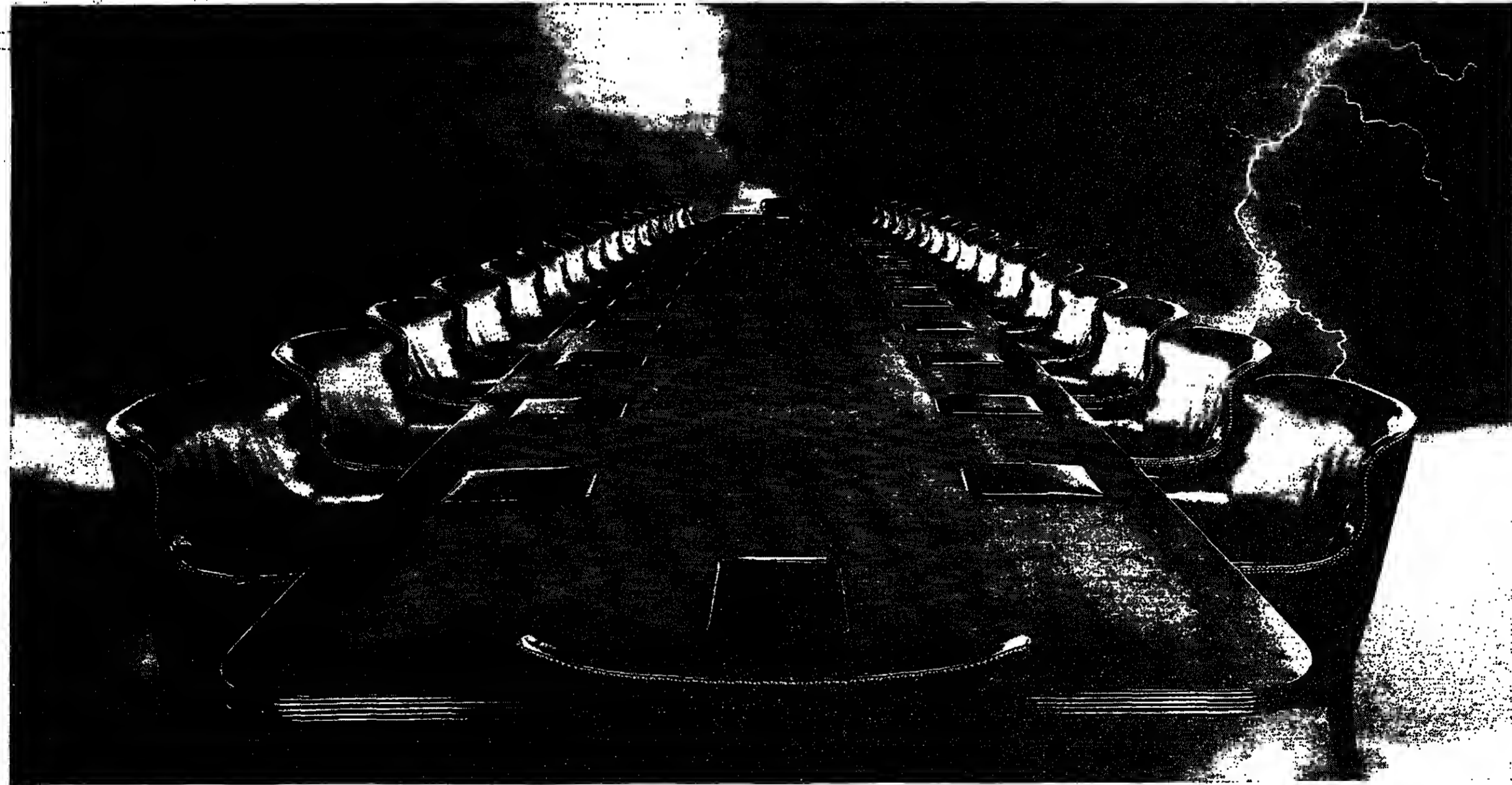
Sir Freddie could then join forces with them, if any, they would have to the documents accumulated by the court over Mr Morris's suit. But Mr Beckman on the prowl again is exactly the spectre, as one U.S. counsel put it last month, which was "petrifying" some of BA's co-defendants ahead of last week's developments.

Ultimately for BA, of course, the real issue must focus on the reaction of investors in the City of London. The Government's evident hope is that Sir Freddie and Mr Beckman will sooner or later rest their case in the coming weeks, leaving BA to sort out the remaining U.S. class actions over Laker's collapse.

It is thought this could be done in time for BA to be privatised between early December and early February - with Laker making an unwelcome guest appearance in the sale prospectus under the balance sheet footnote headed "Contingent liabilities."

The UK Department of Transport and Hill Samuel, BA's merchant bank, have yet to weigh up this prospect. Any such liability could well look tame beside other contingencies affecting BA's profits.

There must still be room for a nasty surprise in the coming weeks. No one would accuse Mr Tiny Rowland, Laker's chief executive, of being too predictable.



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FT REGIONAL REPORT

Middlesbrough

A collapse of the region's economy has left it with the highest unemployment rate in the UK. But it has an armoury of benefits and much to sell

Attack on mountainous problems

By Nick Garnett

FROM THE top of the small parkland on the Riverside Industrial Estate which stretches along the south bank of the Tees, the view upstream and down encapsulates the dramatic and frequently painful upheavals of Middlesbrough's recent manufacturing past.

Up the river on the north bank, just outside the borough, the struggling ICI complex at Billingham is a testament to the regional development money pumped into Teesside during the 1960s. Down from ICI the slipways of British Shipbuilders' Haverhill Hill shipyard lie defunct. Victims of the corporation's contraction.

Directly opposite on the south bank, a tiny clutch of new buildings house some manufacturing and service companies attempting to fill the yawning gaps left by the almost total demise of Middlesbrough's steel industry in the old Iron Masters district.

Further downstream more positive signs of activity are visible in the shape of the massive fabrication sheds and other facilities of Cleveland and Redpath offshore, Whessoe, ITM and Davy Offshore, the largely offshore-orientated engineering sites that have brought new manufacturing activity to this stretch of the Tees.

Looking southwards from the parkland, the office blocks and shopping precincts of Middlesbrough's central area stand out in the urban landscape, a symbol of the way the town has deliberately gone out to shoulder a bigger role as Cleveland's principal retail and services centre.

For a borough of just 150,000

at the heart of a county which has the UK's highest unemployment rate (having just outstripped Northern Ireland's), jobs and the lack of them make up the biggest single issue. An official unemployment rate of 23.6 per cent—a whisker under 30 per cent for males—is the overriding motivator for a range of initiatives by the borough and county councils. These are designed to encourage on a small scale the growth of an entrepreneurial ethic largely ill-developed in an area dominated by big production sites, to attract inward investment through the marketing of newly cleared and serviced land, and to bolster Middlesbrough as a white collar employer.

The task is mountainous and has not been helped in the view of many local planners, politicians and businessmen by government financial cutbacks. The borough council complains, for example, that this year it has just half of last year's £16m to spend on tackling the town's housing problems as part of its environmental improvement programme. This programme has already made major strides in making Middlesbrough more attractive.

"The economic base has collapsed at a rate that took us by surprise," says Mr John Foster, the borough council's chief executive. Though surrounded by the large ICI manufacturing sites at Billingham and Wilton and the British Steel ironmaking site at Redcar, the town of Middlesbrough itself has gone through a period of such traumatic employment shrinkage that it is no longer an industrial town.

The decision of the Conservative Government in 1979 to reverse an earlier plan to move the Property Services Agency and its 3,000 jobs to

Middlesbrough and for which land had been cleared is seen locally as a minor disaster. This would have been a long-term jobs bank for the young in a town where there are 3,750 people under 20 either unemployed or on youth training schemes but only four notified job centre vacancies. Just as important, it would have accelerated the change in employment structure and enlarged the town's small middle class. Middlesbrough's



non-manual workforce forms 28 per cent of the total, against 41 per cent nationally, while semi-skilled and unskilled are proportionately higher than the national average.

Middlesbrough planners have much to sell including good roads, Teesside Airport with regular services to UK and continental destinations and Tees Dock, which with Hartlepool under the Tees and Hartlepool Port Authority is Britain's third largest port system in terms of tonnage and made a £7.2m profit last year. (Tees Dock itself broke even.)

Though Middlesbrough is in the centre of a small mini-conurbation with Stockton,

Thornaby and the Langbaurgh borough, it is also a short drive from the magnificent countryside of the Cleveland hills and North Yorkshire moors with beautiful villages like Stokesley and Great Ayton. Using Captain Cook's birthplace at Marton, Middlesbrough, this natural beauty is being marketed as a tourist centre with heritage trails.

Much of the council's marketing, though, is centred on the 190 acre Britannia Enterprise Zone designated two years ago, and development area financial assistance. A managing director is being sought for a new local development company to market Britannia, which includes most of Riverside Park, following a report by merchant bankers Hill Samuel who with English Estates, the Trustee Savings Bank and the borough council have formed a kind of enterprise partnership.

A debate is under way on what to do with an 850 hectare slice of the south bank area, including part of Langbaurgh and the defunct Middlesbrough Dock, and now the subject of a Graham Moss Associates marketing report due in October.

No one doubts the enormous difficulties. A number of companies have moved into the enterprise zone but most like food manufacturer Newboulds, have just relocated from over the zone's boundary. "We need a breakthrough in attracting a firm in a key industry," says Mr Lee Southerton, the borough's Assistant Chief Planning Officer. One hopeful development has been the opening of a Cadcam centre with 20 associated units, partly attracted in the hope of associating the area with new technology.

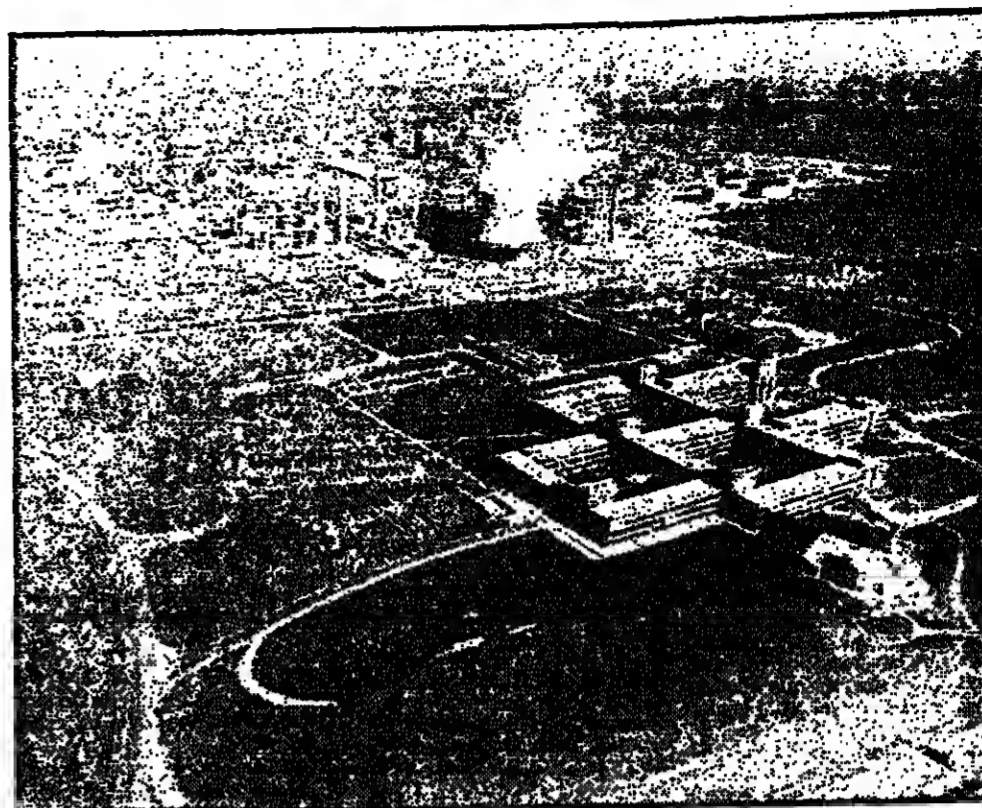
Much development, though, has been small scale. It includes the setting up of an enterprise

agency by local businessmen; the Cleveland Co-operative Agency, aided by the county council and supporting small co-ops, including a river boat service; and the Cleveland Technology Support Group which aims to be self-supporting within four years by providing technological assistance to businesses.

The 16 units in the borough council's Enterprise Centre, a converted biscuit factory, has so far had 47 tiny businesses through it and the new Broad-casting House provides units for white collar businesses. A new craft centre has opened and there are plans for two managed workshops. The polytechnic with a long track record in computer studies is now being set up with a hiotechnology teaching unit.

The town has had considerable success in bringing improved housing to inner areas like St Hilda's—in one case in conjunction with V&A's Hartlepool builder—but only after spending £1m on initial environmental improvement work. The deliberate policy of elevating Middlesbrough to a sub-regional centre has worked in the retail field where major stores have been upgraded as the Cleveland area and the later £10m Hill Street shopping centre benefit from remarkable retail buoyancy.

The economic problems of Middlesbrough and the whole of Cleveland are mountainous and everyone is aware that high unemployment will remain for the foreseeable future. Some cautious long term optimism still survives, however. "We need to replace the industries we have lost," says Mr Tom O'Connor, CBI Regional vice chairman who works in Stockton. "I believe we can do this. We have to work out a strategy and sell our skills hard."



ICI's Wilton works at Billingham, the UK's biggest petrochemical site and still a dominant employer in the area

Jobs fragility underlined

LOCAL AUTHORITIES in and around Middlesbrough are the first to admit that the results of their promotional work to create jobs are very small when contrasted with the jobs gap of about 50,000, created by the great losses of employment.

These shifts have included the closure of British Steel's Ayrton works, repatriation of Long's Britannia site (once part of BSC), the Ryland's Whitecross wire works, John Collier clothing factory and GEC's Stewer exchange plant.

In the neighbouring districts of Stockton and Langbaurgh, 14 other plant closures in 10 years have involved big names like Head Wrightson, Shell, Renold chains, Swan Hunter and Robm & Haas.

One growth area that the borough's consultants have latched onto as a target for Middlesbrough's promoters is offshore work. Five companies in this field operating

within the town currently employ together 2,489.

ITM, whose founder Mr Alf Duffield is a local man and chairman of Middlesbrough Football Club, is starting its tenth year and has carried out a range of work including the production of Crinshy's dock gates, Cleveland Offshore and Redpath Offshore, both part of the Trafalgar group, have attracted considerable new investment. Davy Offshore was set up in 1983, partly through the activities of six people who left Press Production Systems on the Tyne. Whessoe makes up this group and claims to have the largest site with the greatest waterfront.

Other manufacturers in Middlesbrough include hosiery maker Meridian (part of Courtaulds), Dannimac and Lionweild, an engineering company which makes the "Dallas boot".

However, despite the big job losses over the past 10 years at BSC (from 25,000 to

2,200 in Cleveland) and ICI (from 25,000 to 14,500 in the country) these two still have a dominant employment role.

British Steel has a big ironmaking and raw material offloading site at Redcar, the Lackenby works, in which £18m has recently been invested, and the Skinningrove special sections works.

Wilton is ICI's biggest UK petrochemical site. Billingham is the centre of the company's agricultural division where major strides have been made in biotechnology. These developments include the world's only commercial scale plant producing single cell protein (known as Frutecite): Biopol from which plastics can be made and myco-Protein, a micro-organism based food being produced by Rank Hovis McDougall.

Underlining the area's employment fragility, however, ICI shop stewards are worried that another 1,200 job losses might be on the way in Cleveland.

High Tech Zone

The new CAD/CAM Centre, the first of its kind in Europe, is fully operational. Companies are now plugging into the high tech facilities, and taking advantage of the CAD/CAM accommodation units offered to associated users.

Offshore Operations

Millions are pouring into offshore activities on the River Tees. Both the establishing of an Oceanology site and the advent of the new North Sea fields adjacent to the river are resulting in Middlesbrough becoming a major gateway to offshore operations.

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EEC cash for revival sought

South Tees

AS SOUTH TEES iron and steel production has rationalised and moved downstream, so the smaller industries which relied on them for orders have also closed.

Yet many of the attributes which drew industry to the area could help bring in a new wave of smaller companies.

The South Tees area stretches from Middlesbrough town centre in the west to Tees Dock and the BSC Redcar/Lackenby complex in the east. It has river frontage with deep-water access, a bypass and Middlesbrough Dock, offering potential for a general cargo port.

The Saltburn/Darlington railway line, which runs east-west through the centre of the area, carries freight and passengers. The area also offers sites for a wide range of industry.

The Britannia Enterprise Zone is an example of what can be done. Never the river's mouth, levelled areas of grass, trees and scrub have started to break through the decay.

But some of the money spent indicates the scale of the task. The county council paid £290,000 for Cargo Fleet Wharf, because it had been zoned for industrial use in the structure plan. Survey costs were £30,000; some £139,000 was spent on demolishing part of the wharf; predemolition costs were £108,000 and the main reclamation works will cost £350,000.

It was considered a valuable site because of the deep-water frontage, railway line, and new roads. The council hopes to attract light industry with the 100 per cent government grants.

Much of the South Tees Area, even when levelled, will be suitable only for use as open space. The heavy factories and mills, which means less money is available for reclamation," says Mr Alan McCrickard, one of the county council's group planning officers.

"The costs of acquiring land are greater, the costs of carrying out improvements are greater, but the grants available say the same. It makes no sense to be using up

field sites when areas such as this remain a vast under-used and wasted resource."

A study being prepared for Cleveland County Council and Middlesbrough and Langbaurgh borough councils aims to assess the best use for each piece of land in the South Tees area, and to produce a balanced and integrated plan for the area's development.

The study is being half-funded by the EEC which it is hoped will eventually provide money towards the reclamation programme itself. It will be one of the first programmes submitted under the EEC's multi-sector programme.

Part I, dealing with highway works, has already been submitted. Local councils consider the absence of road access to the land north of the railway line to be one of the main reasons why much of the derelict land remains undeveloped.

The estimate that £10m needs to be spent on roads across the whole area. One bridge recently completed to take heavy industrial traffic cost £1m and was funded under the Department of Environment's inner area programme.

Part II of the study, which is being prepared by land management consultants, Graham Moss Associates, will detail land reclamation and sewerage works, landscaping and general environmental works.

Part of the consultants' brief is to consider the best ways of co-ordinating development in the area and market reclaimed land to various industrial sectors, such as oil rig servicing and fabrication, high technology companies as well as for non-industrial, commercial and recreational uses. Local councils are discussing the possibility of working with property developers to provide advance factory units. English Estates has already done so.

"You need some imagination to visualise what could be done with the area," says Mr Peter Ellis, also from the county planning department. "But you need to temper it with reality."

"The estuary can be dredged to take the biggest ships. With the skills that exist in the area, we would be in a good position to benefit from the eighth and ninth rounds in the North Sea. But at the back of everybody's mind is the worry that it may be short-lived. We would need to attract high-tech industries as a spin off from rig and platform building."

Alastair Guild

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MIDDLESBROUGH 2

Alastair Gould looks at some positive moves to improve prospects in a hard-hit region



Instruction at the Cadcam centre aimed at promoting small businesses.

Bright spot in the decline

Enterprise Zone

MIDDLESBROUGH Enterprise Partnership, shareholders, including merchant bankers Hill Samuel, the Trustee Savings Bank, English Estates, and Middlesbrough Borough Council, met formally for the first time last week.

This was the culmination of a three-year study by Hill Samuel of the South Bank of the River Tees including the Britannia Enterprise Zone. It produced favourable conclusions on suitability for offshore construction and the possibility of private investment, and drew up ground rules for the company.

The TSB intends to invest substantially to gain 100 per cent capital allowances, and a general manager will be appointed to co-ordinate development.

The area has already made its mark as a bright spot in Middlesbrough's decline. Where 100 years ago one-third of Britain's pig iron was produced, now stands 107 factories. Almost all the space has been taken by companies ranging from Redpath Offshore, building accommodation modules for the offshore oil industry, to Newboulds, a local firm making delicatessen meats.

They have been attracted by a range of incentives, including a 10-year rates holiday from 1983 when the zone was declared, capital allowances and relaxed planning restrictions.

The zone is also a development area, attracting regional assistance, and a steel closure area eligible for cheap EEC loans. Cleveland County Council can also offer interest relief grants or bridging finance.

Middlesbrough council bought 120 acres from British Steel for £250,000 and spent £500,000

reclaiming the land. It has spent £1.75m on roadworks, sewers and landscaping and a further £500,000 is being spent on roads.

The remaining 50 acres within the zone is owned by Trafalgar House. On the Linthorpe Dinsdale site are massive new buildings built to assemble oil and gas field modules.

The company's other site containing 600,000 sq ft of empty fabrication sheds, where once more than 1,000 men created structures such as the Sydney Harbour Bridge. These will be demolished and redeveloped for companies moving into the enterprise zone.

English Estates built 27 factories on the council's land before declaration as an enterprise zone and has since constructed a further 44. These are all occupied and the company is now putting up five large units, four of which are reserved.

Woodhead Construction has built another nine, all now occupied. There are also 20 small units attached to the CAD/CAM centre. Since 1983 some 95 companies have moved in and rents range from £1.50 to £2 per sq ft.

The council is concerned that incentives outside the zone should match those within. Mr Don Brydon, the industrial development officer, points to the sale of 10 factories of 27,000 sq ft and 60,000 sq ft just outside the zone as an indication of the success of that policy.

Rent and building improvement grants are also available outside the zone. The council wants the enterprise zone extended (seen as premature by the Department of Environment) and hopes the new company will be the catalyst for more development leading to a bigger zone.

A. G.

Industrial giant helps the young

ICI

ICI's position as the largest employer in the UK's area of highest unemployment is increasingly exercising the minds of its managers, personnel officers and trade unionists.

Since 1981, the Wilton petrochemical plant's emphasis has been on increasing competitiveness and reducing fixed costs—wages by £30m and raw materials and energy by £50m.

Its workforce has shrunk from 10,000 in 1980 to 6,250 this year. Though this has been by natural wastage or voluntary redundancy, "it is a period that none of us want to go through again," says Mr Nigel Clark, joint site manager. "We tried to do it as humanely as possible."

Personnel managers travelled as far as the Middle East to find alternative employment for those who chose not to retire. They found 120 jobs just by rinning round all the companies in Teesside.

"We still need to reduce numbers, but it will be a more gentle glide than the steep drop we had," Mr Clark says.

The main reason for the reduction at Wilton has been world overcapacity, particularly in ethylene and propylene, with large crackers coming on line at Mossburn in Fife and in Saudi Arabia.

Capital investment in the petrochemical and plastics division have also been curtailed because of overcapacity. The main emphasis of expenditure has been to reduce energy costs, and £45m will be spent converting two of the five boilers at Wilton to coal. However, no major investment in new capacity for Wilton is planned before 1990.

For the rest of the 1980s, the numbers of local people recruited will be small.

"ICI management is becoming more involved in the local debate about jobs," Mr Clark says. "We still aim to run the most competitive site in Europe, but we have to maintain close links with the community."

The company's main involvement has been training for school-leavers, much of it not related to ICI's business. Only a small number of trainees will be taken on by ICI, though it costs the company £30,000 to train an apprentice.

"We train many more young people than we can employ," says Mr Jim Conaghan, Wilton's training manager. "There are not many openings in large industries for trained school-leavers. The smaller companies provide some opportunities and they want young people with an all-round ability."

A 50-place training workshop run by ICI on EEC premises at Skimmingrove aims to give young people a range of skills,

including joinery, fabrication, welding and motor mechanics. "We try to make them suitable for small rural businesses," says Mr Conaghan.

ICI has taken a few onto its foundation course, which could lead to an apprenticeship. It accepts 120 a year onto its one-year Wilton foundation course to provide them with broad-based technical skills. They have the opportunity to study for further education certificates.

Instructor

"We are trying to develop them into responsible young adults. It is unlikely we will take them all on to second-year training."

The course starts in September, and in June ICI assesses its future site needs for craftsmen and process operators. "We take on as many as business performance allows. The remainder we try to place with local companies while they are still being trained."

"An instructor is taken off course duties in February to canvas local companies. The only way is to knock on their doors."

Last year, ICI Wilton retained 80 trainees, and many of the remaining trainees were helped to find other employment.

The company is also involved in the Cleveland Technical and Vocational Education Initiative. The MSC provides education

authorities with money to "develop new approaches to learning and an introduction to technology." As part of the five-year pilot, involving seven Middlesbrough schools, ICI lays on 2-day visits to Wilton, gives pupils one-week's work experience and provides the opportunity to talk to ICI employees.

The company is now studying how it can use its technical and business expertise on Teesside, not just in training, but to directly stimulate more employment.

There may be limited possibilities for joint ventures. Malborough Biopolymers was recently formed with Stockton-based Malborough Teeside Management to exploit scientific developments within ICI's Billingham plant. It is concentrating on using "bags" to attack non-biodegradable wastes such as plastics.

But biotechnology is unlikely to lead to significant growth in local specialist companies because of high entry costs. ICI has a biotechnology research group of more than 200 and is building two manufacturing plants.

The company is looking at encouraging ventures outside its traditional corporate framework in such areas as computer software or industrial efficiency systems. Such businesses might be encouraged to set up elsewhere in Cleveland, with ICI helping to attract outside partners and venture capital.

Computer key to growth

Cadcam Centre

GIANT slag heaps and rusting steel mills are not Cleveland's only legacies of a passing industrial age. The region is also left with a large number of unemployed with traditional engineering skills, while school-leavers are becoming more familiar with small computers.

So it is perhaps appropriate that Middlesbrough's CAD/CAM centre, designed to harness these talents and skills, should be built on the site where steel was first made.

CAD/CAM (computer aided design and computer aided manufacture) holds the key to the future of many smaller businesses which Cleveland's local authorities are promoting in the wake of heavy industry.

As the UK's largest automotive and aerospace manufacturers and process industries, such as ICI, switch from manual drafting to computer-based design and manufacture, they are increasingly demanding of their suppliers and subcontractors the capability to handle digital data.

But many of these small firms, though they employ skilled craftsmen, have not yet got to grips with computerised systems. A map showing the distribution of CAD/CAM systems throughout the UK tells the story: they are mostly clustered around the south east.

"The technology is new, costly and requires a fresh approach to design and manufacture," says Mr Arthur Llewellyn, the centre's director. "The centre aims to help overcome the 'natural, native caution' of local businesses."

An entry level course provides an understanding of the nature and characteristics of CAD/CAM with some hands-on exposure to basic design drafting and modelling systems. A practical experience course then concentrates on how to use systems to solve the problems which the participants themselves bring in. The third step is an evaluation of carrying out work and testing the benefits.

Courses

Normally two participants sit at each computer workstation with two or three experienced application engineers in support for every eight to 12 participants.

"However, the problem for those under 25 years of age is particularly severe," says Mr Llewellyn. "Because they are familiar with personal computers, they are good at manipulating keyboards, but they lack work experience and an understanding of basic engineering skills such as engineering drawing. CAD/CAM systems need more than just the ability to press the right buttons."

The centre offers a number of courses for the under 25s, funded by the EEC Social Fund and matched by Cleveland County Council.

"Newly acquired capabilities improve job prospects, but to use CAD/CAM systems in industry requires experience and judgment in the application environment. This sort of experience is looked up in the older person who finds it difficult, and perhaps is reluctant to spare the time to get to grips with the new-fangled technology."

A solution proposed by the centre is a new form of apprenticeship, pairing the under 25s with the older and experienced person. This is seen as a way into CAD/CAM for a number of the smaller firms, possibly provided by special work experience schemes.

For small firms wanting to

buy a computerised system, but faced with the barriers of cost and software management, the centre provides a "walk-in" facility. Firms can try out the centre's own system before deciding which system to invest in.

Other engineering firms, which have already started to use CAD/CAM, may be confronted with problems which they cannot solve on their own. They are also coming to the centre for advice. A typical engineering problem which the centre has investigated for a local firm involved the filling, blending and smoothing of curved surfaces as found in pressure vessels and pipework.

One of the centre's application support engineers tackled this machining exercise using a PRIME-Medusa system. Even this sophisticated package had its limitations. So a special program was written.

Because the centre cannot afford to provide the complete range of CAD/CAM systems, it has drawn up a list of experts who have been working on particular design problems and have expertise in design and manufacture on other systems, and calls them in when necessary. In addition the centre invites other suppliers to demonstrate to local firms how their system could help them solve problems.

Mr Llewellyn wants to engender a community spirit, with the centre as its focus. The companies that eventually move into the 25 small, brightly-painted units arranged around a

courtyard jutting onto the centre will be an integral part of that community. "We need to attract software and hardware companies to gear up the whole project."

English Estates, the developer, was persuaded to put up £2.5m for the development, while Cleveland County Council guaranteed a head lease on the centre for 25 years. A number of firms have already moved in including specialists in robotics, electronics, a small software system company and two engineering design companies.

The centre's next step is to get a financial adviser on hand to provide any small business wanting to raise finance from a bank or venture capital fund with advice on drawing up a business plan. "Too often banks call in a loan just when a company may need additional finance to make the breakthrough to full profitability," says Mr Llewellyn.

CAD/CAM Applications Training and Support Company, the centre's operating company, may restructure itself so that it can take equity stakes in companies setting up in the units next to the centre.

English Estates is changing its charter so that it can offer management advice to small businesses.

The indications are that to bring together technology, business, marketing and finance in a committed package to help new ventures is what is needed to stimulate growth in an area such as Cleveland.

A. G.



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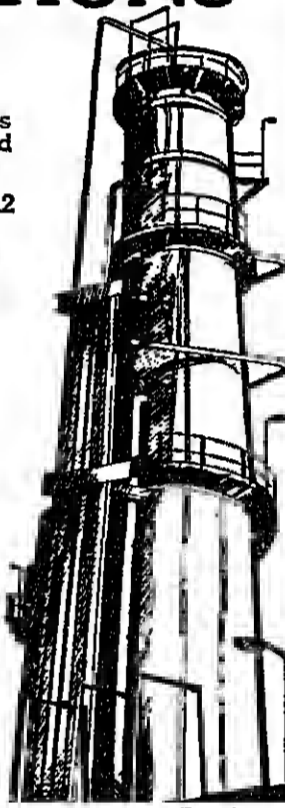
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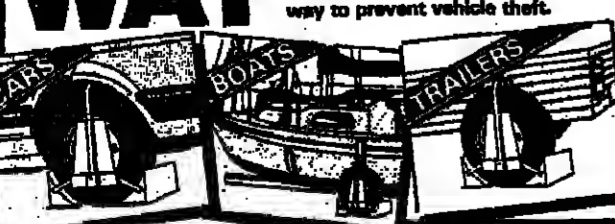
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THE ARTS

Galleries/William Packer

Bright bursts of abstract colour

The present ascendancy of figurative painting in popular attention is all very well, but should lead no one to suppose that abstract painting, which it apparently superseded, is done for at last and fading decently away. The reality is that abstraction itself, that embraces so much of its greatest achievement, remains one of the great preoccupations of modernism; and as such it will always sustain the creative interest and activity of serious artists, no matter that the critical emphasis may lie for the moment elsewhere. Three exhibitions now in London, of the work of several of the late Kenneth Martin, show us just how various, substantial and beautiful such work may be.

Alan Green's latest paintings and drawings occupy the Juda Rowan Gallery (in Tottenham Mews, W1 until August 31). They are descriptive and disarmingly simple things, and it would be all too easy to turn their bare description back against them. Near squares of canvas, most of them some 4 by 5 feet, on which one flat, apparently undifferentiated rectangle of rich yet drab colour is laid out upon another to leave either a simple border—as if it were a painted frame—or, where the central block is so much smaller in relation to the whole, an encompassing colour field or ground; what on earth is this of Art in such things as this?

But the mistake is to take such formal simplicity as the mere shallow or empty leasing of an innocent public. On the contrary, simplicity, informed by making and doing and long experience, has something in it to set the imagination free, and so it is with Green's paintings. Given just a little of the time and close attention they are worth, they begin to declare themselves in all their practical delicacy and subtlety of implication and suggestion. His first concern is to achieve upon the canvas a coat of pigment which in its every mark and surface quality is no more and no less than a thing in itself, each surface is different, yet each is possessed of the same physical integrity, a rightness and ease with itself

that insists, with the thick glaze on the raku tea bowl, or the calligrapher's authoritative sweep of ink across the scroll, that it is, and nothing other. It is no surprise that Green does very well in Japan.

But as with all painting, there is more to them than the bare fact of surface, for to set one figure against another though it is only a square, and to lay mark upon mark, is to conjure up the sensation of space. And the eye moves back and forth across the margins and intervals, picking up here the flash and shift of colour as it changes in the light, catching a glimpse, through the open handling of the paint, of something of what lies beneath, long suppressed. All painting carries within itself the secret history of its processes, enough always to excite almost archaeological speculation.

Though Green has often worked very large in the past—one such work, a triptych of monochrome panels, hangs here in the topmost room—this newest work is only of small to middling size. But there is no hierarchy of scale by which bigger is better, and if there are good reasons enough for working either large or small, in painting as in all art it is the particular creative necessity that should decide. By his selective retrospection at the Barbican (until September 1), shows us that at certain points in a career now of nearly 50 years he has no choice but to work as large as he could manage.

He began and continued well into the 1950s as a painter of landscape and still-life, a leading figure as he still is in the St Ives group, but looking to Paris, and to Matisse especially, as his own work grew simpler and ever more colourful than graphic. It took him some time, as we can see from the fascinating and often delightful earlier works he has chosen to bring back into the light, but from Matisse he realised that colour can supply its own definition of form quite without the need of line, and from that establish its own weight and position in space, and even go on to create space itself.



Kenneth Martin

The landscape painter, however, is free to suggest an infinity within the smallest scope, for the suggestion is hermetic, closed off by drawing and reference beyond the picture plane, all in the mind. But unfigured colour, with no representation or reference to help it other than itself, must rather come out to us, wrapping us round altogether, to draw us into the direct physical sensation it affords, of space and light. And it must be tried big.

A brief essay in Parisian abstraction around 1955, and then Green was out on his own as a colour painter. His own authentic and romantic version of abstract expressionism was well established by the time the wave of New York painting hit Europe in the late 1950s.

And so he has gone on. He jumps 10 years or so in this account of himself, taking up again in the middle 1970s, with the work sometimes very big, and the surfaces somewhat flatter and more anonymous in the handling. But things are changing now. Some of the work is still very big, but more it seems from physical exuberance than principle, and the imagery has

grown more complex and various, certainly more graphic once more and oddly suggestive, as though hinting once more at the whistler of 86 years ago. There is the sense too of adventure and experiment in the work, rather than of system and theory, which is brave and admirable.

The later work of Kenneth Martin, with a cast back to about 1970 when he turned from sculpture to painting, fills the Serpentine Gallery (until August 4). Throughout his life he had worked within the constructivist tradition, and was particularly taken with ideas of sequence and systematic projection, and their infinite formal possibilities. The paintings begin under the terse heading 'Chance and Order', which by 1980 had been extended by the addition of the word 'Change'. At the time of his death last year, at the age of 79, Chance was in the process of being dropped, which suggests the slow, close evolution of the work.

A grid supplies the order, numbers at random supply the chance, which worked together generate a mesh or web of lines, spilling like, to be orchestrated, pointed and modified at the artist's discretion. The elegance of the imagery resides as much in the simplicity of the device as in the workings of the hands, for Martin kept his distance as a painter, his paint dry and his handling pawk, unadorned, and the working drawings are no less authoritative than the finished things. We cannot it all, and respect it as a body of work, yet at every point we are caught out in our intellectual expectation by an ambiguous, unmistakable visual poetry, speaking quietly to us across the gallery, if only we will wait, and listen, and look.

'Cheapside' extended

Ted Craig's production of David Allen's *Cheapside* at the Croydon Warehouse has been extended until Sunday July 21. The stars James Bolam, Jeffery Kisson, John Moreton and Susan Tracy. Performances are Tuesday to Saturday at 7.30 pm, Sunday matinee at 4.30 pm.

Clementi Trio/ICA

Andrew Clements

The second MusICA event of the present series on Sunday proved to be a continuation of the first concert a week earlier: more music by Clarence Barlow, and two further components from Walter Zimmermann's *Von Nutzen des Lussens* cycle, together with Manfred Stahnke's *Variations on a Mongolian Song*. The performers were the excellent Clementi Trio, known in Cologne and generally known for programmes in which old music is combined with new works. Here, though, the fare was entirely contemporary.

Neither Barlow nor Zimmermann became a more sharply focused creative personality from these further components of their outputs. Barlow's piano trio, 1981, dislocated the first movements of trios by Clementi, Schubert and Ravel and superimposed them according to statistical processes, producing drifting textures of tonal references that gained real focus only when one or other of the models became readily identifiable. The ear clung to these occasional life-lines too desperately to be able to comprehend the precise purpose of the amalgam.

In Zimmermann, at least, there is surely a genuinely original voice to be uncovered, if only one could pin down exactly what permanent characteristics that voice had. The first of the piano trio pieces, *Ephemer*, a reworking of an earlier piece into an interlude for two voices, was a clear and inspired sequence, was recognisable Zimmermann—swirls of pentatonic melodies, painfully protracted string harmonies, and a weakness for heavily patterned codas. But *Gerresius* was a more complex, thickly overlaying clumpy ostinato in a texture that never faltered and resolutely refused to yield to unabashed folksy charm.

Stahnke's *Variations* failed to provide much more enlightenment. The piece steadily accrued polyphonic lines as melody was piled upon melody, all of them microtonal-inflected. The texture became increasingly rebarbative codas. But *Gerresius* was a more complex, thickly overlaying clumpy ostinato in a texture that never faltered and resolutely refused to yield to unabashed folksy charm.

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THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

BEING TAKEN over by a larger company is not every small businessman's vision of success.

At worst, it can lead to demoralising loss of independence for the founders, a loss of direction for the company and serious clashes of objectives with the new parent. Yet if a sympathetic bidder can be found, a takeover can be a highly desirable option — particularly for small capital intensive businesses hungry for expansion finance.

Few people can know both sides of the argument better than Dr John Hollowood, 49-year-old managing director of Fine Organics, a Middlesbrough-based maker of organic chemicals for drug companies. Hollowood, who trained as a research chemist, has taken the brunt of three takeovers during his 13-year career in management.

He believes that he has at last found the ideal non-interfering owner in his latest venture, Laporte Industries, the UK chemicals group which paid £4.05m for three-quarters of Fine Organics in November. But the decision to accept Laporte's offer was far from easy for a manager who had experienced the frustrations of being acquired and run by other chemicals groups whose ambitions ran at loggerheads with his own.

Fine Organics provides an object lesson in how to judge when it is appropriate to exchange independence for the security and investment power of a rich owner. It demonstrates the paramount importance of hitting the right market at the right time, while illustrating the dangers of relying too heavily on one customer, a fundamental risk for any small company selling to an industry — like pharmaceuticals — which is dominated by a handful of giant customers.

The company owes its growth — from sales of £850,000 in its first year to September 1973 to an expected £5m this year — to the fact that Hollowood launched into specialty chemicals just before several big producers of bulk chemicals identified that market as an important diversification opportunity.

Laporte's purchase of Fine Organics forms part of a wider acquisition strategy designed to reduce its exposure to a listless bulk chemicals market in favour of higher growth areas. But why did it make sense for Hollowood to surrender to Laporte?

An important part of the answer lies on a bleak construction site on the huge Seal Sands chemicals complex at Stockton on Teesside. It was there that Fine Organics embarked last year on building a £2.25m factory, for which Hollowood was planning to raise £2m from the venture capital industry. That seemed to be the only way to get the money, yet Hollowood did not relish diluting his personal stake in the company in



Dr John Hollowood: the right partner

When marriage is convenient

William Dawkins on a perennial dilemma

favour of outside investors who would understand little about the special problems of making organic chemicals.

Laporte, which met Hollowood through an acquisition broker, immediately offered to put up an extra £2m for the project. It later agreed — at a day's notice — to supply a further £3.75m for another plant. The group has never invested so much in a subsidiary which it does not fully own — and the way in which it has treated Fine Organics demonstrates a speed of response and largesse beyond even the most adventurous venture capitalist.

Meanwhile, is free to run Fine Organics with no interference — in theory at any rate — apart from the requirements to meet his own targets and submit monthly accounts. "They act as knowledgeable bankers," he says. "They know the chemicals industry well enough to understand my needs but they don't know so much about fine chemicals that they can breathe down my neck."

Ken Minton, Laporte's managing director, explains: "This idea is to create an environment where creativity and fair can flourish... while at the same time forcing them to justify themselves in a sensible financial way."

Not all of Hollowood's all-

ances have been so agreeable, and he even admits to having had cold feet at one point about whether to accept Laporte. He first experienced the problems of adapting to a new parent while working as technical director for North Western Oil, a privately owned Middlesbrough group making solvents for the oil industry. The company fell prey to the independent oil company, Carless, Capel & Leonard in 1973 when its owner retired. Hollowood soon left because Carless refused to finance his diversification he had been attempting into more sophisticated fine chemicals.

He and a colleague borrowed £100,000 to set up their own specialty chemicals venture, Telchem, making small volumes of high value chemicals for the drug, photographic and agrochemical industries. Just a month after they started production, Magnachem, a Houston-based concern, offered £500,000 for the company, an offer too generous to refuse.

A year later, "we were doing low added value, high volume work — just the opposite of what I wanted to do," says Hollowood, who was convinced that part of the chemicals industry was heading for a long decline. By pure chance, Smith Kline & French Laboratories, the U.S. owned pharmaceuticals com-

pany, approached Hollowood with a request for a cheap way of producing cysteamine, an ingredient of Tagamet, its latest anti-ulcer drug.

Hollowood felt sure that cysteamine would be of no interest either to Magnachem or its ultimate owner, Baker International, the U.S. oil and mining services group. Accordingly, he offered to produce the chemical for Smith Kline himself, and even got as far as extracting a film order.

In a surprising change of policy, Baker International asked Hollowood to set up Fine Organics as a subsidiary to service Smith Kline. Three years later, by the end of 1980, Fine Organics was making a taxable profit of £850,000 on sales of £3m and Tagamet was proving to be a resounding success.

As inevitably as nemesis follows hubris, Smith Kline suddenly decided to bring all of its Tagamet production in-house, thereby removing most of Fine Organics' business. "Instead of projecting £4m of sales for 1981, I was left with £300,000," says Hollowood, who was promptly despatched by Baker to sell Fine Organics.

After several months of fruitless negotiations with possible bidders — including Carless — Hollowood and his operations director, Alistair Anderson, agreed to buy the company themselves. Equity Capital for Industry and Moracrest Investment decided to bring all of the equity in a deal worth £915,000, with £300,000 of the payment coming as a three-year deferred loan.

While the management buy-out was being completed, a group approached Hollowood for ingredients for its new anti-ulcer drug. "If they had come in much earlier, we would have lost the deal," he admits. That contact made it much easier for the new Fine Organics to recover, but Hollowood and Anderson were still keenly aware of the need to avoid a repeat of the Smith Kline episode by finding other customers.

That one customer still accounts for half of sales, but the group as a whole now sells 35 products to 50 customers. The transformation has been achieved partly through old-fashioned legwork — "advertising and knocking on doors," Hollowood — and partly through a growing emphasis on the value of research and development.

"It's relatively easy to pick up enquiries, but far more difficult to identify good lines. If we commercialise 10 per cent of our enquiries, then we are doing well," says Hollowood.

In brief...

NOTTINGHAM University is to set up a management buy-out research unit to gather information and study the performance of newly independent companies.

The three-year research programme will cost £60,000 and is being funded by chartered accountants, Spicer and Pegler, with Barclays Development Capital, John Coyne and Michael Wright, who have already conducted extensive research into the growing number of buy-outs taking place in the UK, will conduct the project under the supervision of Brian Chiplin, professor of industrial economics at the university.

MORE THAN 60 organisations have confirmed that they will be participating in the second National Franchise Exhibition, which takes place at the Kensington Exhibition Centre, London, from October 11-13. Details from Alison Slama, Dresswell Exhibitions, telephone 01 727 1293.

BIG accountancy firms continue to show a would-be entrepreneurs with glossy — and often very useful — booklets explaining how to get started.

The latest clutch comes from Arthur Young and Peat, Marwick Mitchell. The former's set of 10 leaflets, entitled *Your Own Business*, covers topics ranging from taxation, raising finance, directors' responsibilities and employment of staff.

Arthur Young's guides are not designed to provide the last word on the subjects they cover, but they do contain enough information to enable the budding businessman to talk to professional advisers or bank managers with confidence. They are available free from Deborah Jones of Arthur Young, 7 Rolls Buildings, Fetter Lane, London EC4A 3NH. Telephone 01-631 7130.

Peat Marwick's latest publication, *Starting up your own business*, takes the reader in easy, humorous, illustrated stages through each point in the process of launching and developing a new venture.

Each page lists in the margin sources of further information and advice on the subjects covered. The booklet costs £3 from Hubert Thompson, Peat Marwick, 7 Th Lane, Manchester, M2 6DS. Telephone: 061-852 4221.

Getting workshops to work

MANAGED workshops might be simple in concept — embracing small units on flexible terms in centrally-managed refurbished industrial buildings — but they are highly complicated to set up and administer.

An essential ingredient of a successful project is a strong-minded individual who can win the support of private and public sector sponsors and overcome innumerable hitches; in short, a "driving force" who exemplifies the entrepreneurial talents to which his small business tenants aspire.

Those are the main conclusions of a study of two such projects, Salsaire Workshops in Bradford and the Avondale project in Bristol, published last week by Shell UK in conjunction with the Department of Trade and Industry's Small Firms Division. Managed workshops are becoming an increasingly popular tool for fostering the growth of small businesses.

The study's authors, the management consultants Segal Quince Wicksteed, estimate that there were 10 such projects in the UK at the end of the 1970s. Now there are believed to be more than 50 in London alone, with several more in each major city. West Germany and the Netherlands are also finding the concept popular.

"It would be foolish to say... that all managed workshops are automatically a good thing," admits the study. Their direct impact on unemployment

is small, but they do provide models of what can be achieved for would-be entrepreneurs and have an unquantifiable indirect effect on employment among their suppliers.

The driving forces behind Salsaire and Avondale are Frank Kuhne, a former geophysicist and MBA student at the University of Bradford, and Mike Winwood, a former social sciences lecturer at Bristol University. Both schemes were conceived and partly funded by local authorities as a way of tackling unemployment in their regions, but they both ran into considerable practical problems in finding premises and raising cash from philanthropic sponsors.

Salsaire had to abandon negotiations for its first building because the lease terms were too onerous, and eventually set up five years ago in a redundant weaving mill, an unused part of the headquarters of the textile concern, Hillingworth Morris. Avondale lost its first building to another bidder, but moved in late 1981 into surplus space at a local bakery equipment maker, Thomas Collins and Company.

Both workshops have attracted tenants from a wide spread of sectors, ranging from computer software through office furniture, wood sculpture and precision calibration to car maintenance.

Their survival rate has been encouraging; a result, argues the study, of the business advice

available from the workshop managers and the flexibility with which successful tenants can expand into extra space. Winwood reports seven failures out of the 81 ventures to have taken residence at Avondale, while the drop-out rate at Salsaire is rather higher at 30 per cent, a reflection of the fact that it houses a higher share of start-ups than the more up-market Avondale.

Neither project has been a great money-spinner. Salsaire shows an 11 per cent return on capital costs, while Avondale yields 16 per cent — and these figures would be rather lower if the benefits of non-cash subsidies they receive from sponsors are stripped out.

Workshop schemes are therefore unlikely to be commercially attractive in their own right to private property developers. But the private sector might be interested if it could invest alongside local authorities, which would pull together all the various forms of grant aid and public support available, argues the study.

It suggests: "There is clearly a potential for initiatives along these lines, especially if a local authority were to develop a simple package approach which could be marketed to prospective private sector partners."

Case Studies of two Managed Workshops: Salsaire—Avondale & Salsaire: £2.95 from HMSO, 49 High Holborn, London, WC1V 6HV.

William Dawkins

The world of risk finance

IT WOULD be a mistake to think that the experience of the successful U.S. venture capital industry can be transplanted directly into Europe or the UK.

The European entrepreneur is not a carbon copy of his transatlantic cousin, his tax regime is more hostile to small businesses than that of the U.S., and his markets do not offer the same scale of growth. So argues Tony Lorenz, managing director of Equity Capital for Industry, in his book *Venture Capital Today: A guide to the venture capital market in the United Kingdom*, due to be published on Thursday.

Lorenz accepts as readily as anyone else in the industry that venture capital activity has reached unprecedented levels in the UK thanks to a widespread recognition of the importance of newer technologies to economic growth. But, he argues, there is little evidence that it could have a dramatic effect on small business development in the U.S. Moreover, important obstacles have to be cleared before it can flourish fully in Europe.

These include limited opportunities to achieve share quotations, too many competing centres of technological excellence leading to a diffusion and dilution of skills; a relative unwillingness by large companies to buy small ventures' products; and a lack of incentives for experienced employee-managers to strike out on their own.

Lorenz proposes few solutions beyond noting that recent trends towards a European-wide venture capital community are encouraging for entrepreneurs. However, the book does not set out to solve the industry's problems. It is more intended to put the world of risk financing into context for anybody who comes into contact with it, while offering a fund of practical

advice for small businessmen seeking investment. Unlike many other guides to the subject, it gives a great deal of authoritative detail about the investors' position — explaining, for instance, precisely how it is that different styles of venture capital group decide on equity pricing, and what balance of income and capital gains they will expect from businesses in varying stages of development.

Clearly explained details like that can only be helpful to those on both sides of the venture capitalist's desk. A small businessman who has read this book should find it easier to avoid wasting his — and his potential investor's — time by opening negotiations with a venture capitalist whose management style or expectations of reward do not match his ability to deliver.

Venture Capital Today costs £25. Venture Capital Publications Ltd, Fitzwilliam House, 32 Trumpington Street, Cambridge, CB2 1QY.

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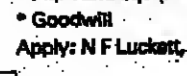
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Tuesday July 16 1985

Tough task for Mexico

THE SHARP drop in Mexico's oil income and the enforced readjustment of its prices are an uncomfortable reminder that even the most model of the Latin American debtors is experiencing serious difficulties in sustaining economic recovery.

A sluggish international oil market, combined with Mexican hesitation over pricing policies this year, has been profoundly damaging to the country's balance of payments. Thus Mexico now risks losing almost the entire annual foreign exchange saving which it achieved in hard won concessions from the international banks when more than half its debt was restructured in March.

If the benefits of restructuring can be eroded so quickly by forces essentially beyond national control, the banks for their part can no longer sit complacently on the side lines believing that altering the time-scale of debt payments is a solution.

Equally, it is a sobering reminder not merely for Mexico, but for all those in Latin America that carefully laid plans can go awry within a short space of time.

The strength of Mexico's economic turnaround since the crisis days of 1982 had hinged on a tough austerity programme intelligently executed by the de la Madrid Government. The cornerstone in coping with debt payments and improving the balance of payments has been a savage cut in imports, which have been reduced to half the pre-crisis levels.

Brake

Clearly this level of import restraint cannot be sustained indefinitely, even if substantial import substitution has occurred during the past three years. Indeed when the Government began to permit a modest relaxation of the controls in the last half of 1984, imports began to pick up again and have continued to increase at what would seem disturbing levels this year—given the drop in oil sales and the increase in domestic demand.

The Government was well aware that the economy was in danger of overheating but preferred to do nothing until the July congressional and gubernatorial elections were over of the way. While this was understandable enough in political terms, the country

The diplomacy of culture

THE RELATIVELY low priority attached by the Government to Britain's cultural presence abroad was again underlined on the occasion of the presentation of the British Council's annual report last week. The consequences of the spending cuts forced on the Council are detailed by Sir John Burgh, the Director-General, make sad reading and the arguments in favour of a reversal of that situation are becoming increasingly convincing.

Every government department, it is true, has had to tighten its belt and there is no overriding reason why the British Council should be excluded from the general process. But the cuts which it has had to make have been so substantial relative to its overall budget that Britain's image and influence abroad are beginning to be undermined.

Expenditure

The reduction of 20 per cent in real terms of the Government's grant-in-aid to the Council since 1979 has led to the shutting down of British Council posts at home and, particularly, abroad. Some of these were undoubtedly marginal, but what is much more important is that the Council's activities in newly-emerging countries and regions, like China and South-East Asia have been nipped in the bud.

There are those who argue that, with the ending of Britain's world-wide role as an imperial nation, there is no longer any need to disseminate its culture and education to all corners of the globe. The reverse is true. At a time of declining political and economic influence it is all the more important that Britain should maintain or establish its cultural presence in countries like India, China, Malaysia and Indonesia which are already, or could become important trading and therefore political partners.

Other medium-sized European countries like France and West Germany, to say nothing of Japan, have not made the mistake of looking upon what has become known as cultural diplomacy as a disposable adjunct of foreign policy. France, with total expenditure on cultural relations of £300m in 1984, is spending nearly four times as much as Britain in this area, West Germany three times

PRESIDENT REAGAN'S low-key policy of "constructive engagement" towards South Africa—the attempt to secure change through quiet diplomacy—is now in worse trouble than at any time since its inception over four years ago.

Following last month's recall of Mr Herman Nickel, the U.S. ambassador, to protest about South African incursions into Angola and Botswana, relations between Washington and Pretoria have become considerably strained. Washington's long-running efforts to push Pretoria into a wider regional peace agreement remain frustrated.

In the U.S., discontent with Mr Reagan's policy has reached the point at which both Houses of Congress have now approved economic sanctions against South Africa for the first time in history. In the coming days, conference negotiators from the two Houses will seek to produce jointly-agreed legislation for Mr Reagan's signature.

Once that legislation reaches the White House, Mr Reagan will be faced with the difficult choice of either compromising his policy and signing it, or creating a major political outcry by vetoing it. Mr Chester Crocker, Assistant Secretary of State for Africa and chief architect of the "constructive engagement" policy, says that the Administration remains "dead set" against sanctions.

So far, the White House has not tipped its hand, in the hope apparently of watering down the sanctions by negotiating the conference negotiations. Its final decision will depend heavily on whether the Bill presented to Mr Reagan is closer to the tougher version passed by the Democrat-controlled House last month, or the milder measures approved by the Republican-led Senate last week.

A further consideration will be whether the legislation is attached to a bill containing other items of hard-to-veto items, such as aid to Israel. But the fact remains that both chambers adopted sanctions by more than two-thirds majorities in the House and by a Presidential veto.

Republican Senator Nancy Kassebaum of Kansas, who chairs the Senate's Africa sub-

U.S. anti-apartheid pressures

Now the Senate fans the flames

Reginald Dale, U.S. Editor in Washington, reports on Congressional moves to impose sanctions on Pretoria

committee, is not alone in believing that the conference negotiators will settle on something resembling the Senate version, and that Mr Reagan will grudgingly sign it.

Supporters of the Senate version admit that it is largely symbolic. It would ban new American bank loans to the South African Government, which have anyway slowed to a virtual standstill, and prohibit exports of U.S. nuclear technology and computers for use in enforcing apartheid, both of which are already tightly restricted in practice.

Its other provisions—a ban on new investment and a halt to U.S. imports of gold Kruggerands—would be deferred for 18 months to see if Pretoria is serious about ending racial discrimination. The House version would impose both those measures immediately.

The Senate, in addition, would oblige the 350 or so American companies operating in South Africa to provide equal housing and working conditions for blacks and whites under the hitherto voluntary Sullivan principles of 1977. Unlike the House, the Senate would authorise the minting of a new

South African coin to compete with the Kruggerand.

Reflecting the passions that the issue has aroused in the U.S., last week's Senate debate was outspoken and acrimonious. Liberal California Senator Alan Cranston accused sanctions opponents of racism and compared the Pretoria government to "the Nazis of 1939". Right-wing Senator Jesse Helms of North Carolina, who led an unsuccessful Senate rearguard action against the Bill, suggested that sanctions would "lose South Africa to the Soviet Union."

A number of powerful elements have combined in recent months to fan the anti-apartheid flames. American blacks, bitter over their failure to influence last year's presidential elections, quickly found that South Africa was an issue that could arouse a unifying fervour comparable to the great days of the civil rights movement of the 1960s. Even conservative whites, when pressed to take sides, have discovered, in the words of one Congressman, that it is as un-American to be pro-apartheid as it is to be against it.

However, there has been a clear score by industrialists on South African investment to one of extreme caution.

Similarly, recent consolidation moves by both Ford Motor and Coca-Cola are seen by many other investors as moves to reduce their South African exposure—although the companies themselves deny it.

The temptation to take a lower profile in South Africa is made all the more tantalising because for most companies it represents so little of their total activities—less than 1 per cent of assets for the average U.S. group.

Even for companies with a large presence by local South African standards, the investment tends to be modest. IBM, for example, says that South Africa accounts for under 1 per cent of its total sales (\$460m in 1984), while Citicorp, the largest of the U.S. banks in the market, has less than three-quarters of a percentage point of its assets lent to South African interests.

Terry Dodsworth in New York



Chester Crocker (left), Assistant Secretary of State for Africa and chief architect of the "constructive engagement" policy, pictured with South African Foreign Secretary P. W. Botha

Further fuel has been added by South Africa itself, with its provocative military raids and the stepping up of what is seen in the U.S. as racist repression and police brutality. Mr Reagan has not helped himself by giving the impression in some of his public statements that his sympathies instinctively lie with the white minority.

The widely perceived failure of his policies to produce results has created a vacuum into which political forces have moved from the grass roots upwards—from universities, cities and states divesting their South African holdings, to a Congress with its eyes on the 1986 mid-term elections.

Administration officials have complained that it all has more to do with domestic politics than foreign policy. Sanctions, they say, will only harden Pretoria's resistance and hurt black South Africans the most, if they work at all. The 1986 arms embargo only led Reagan Africa to develop its own powerful arms industry. President Carter's Soviet grain embargo was an abject failure; and now, they say, the Europeans and Japanese are eagerly waiting to step into American companies' shoes. Japan, says a State Department official, has already increased its computer sales to Pretoria by 500 per cent in the last two years.

Above all, says the Administration, the U.S. should be trying to use its links with South Africa to influence events, not to foster a healthy economy in which political and social rights can begin to take root.

Whatever its merits, this is a losing argument in the current political climate. Even if sanctions are likely to have little immediate effect, their supporters believe they will be a sharp warning that American patience is finally running out—both with South Africa and with Mr Reagan's "constructive engagement".

Their hope is that, while publicly expressing its contempt for sanctions, a Pretoria that still cares about its international image will quietly hasten the process of change.

DIVESTMENT CAMPAIGN PUTS U.S. BOARDROOMS ON THE DEFENSIVE

ABUSE and moral outrage are regularly heaped in the heads of chairmen of large U.S. corporations doing business in South Africa, and most of them have learned to live with it.

But a recently-dispatched letter has shaken even some of these hardened professionals to the core.

It came from an inter-church group embracing virtually every large denomination in the U.S. and it accused the 12 top companies of being partners in apartheid, the abhorrent policy of racial oppression by the government of South Africa.

"We really find this high moralising tone quite offensive," protested one angry senior executive. "The notion that we are partners in the apartheid system is beginning to irritate the hell out of people."

Both the letter and the response illustrate the dramatic change in the argument over U.S. corporate involvement in South Africa. Suddenly companies are on the defensive, assaulted by the churches, vilified by the trade unions, pilloried in the universities, and hit

by changes in investment policy by several states. Irrespective of the strength of the legislation which eventually emerges from Washington, the anti-apartheid movement has at last managed to change the grounds of the debate and to move on to the offensive.

This concerted attack has led to:

- The withdrawal of 13 universities this year alone from investment in companies doing business in South Africa.
- A continuing build-up of pressure on state legislatures to sell holdings in these companies.
- By the end of 1984, \$1.3bn of public funds had been withdrawn from companies active in South Africa, and similar legislation is now pending in 25 other states and many cities.
- Growing consideration, particularly among the unions, of selective buying or boycott campaigns. These are already targeting some South African agricultural exports, as well as Kruggerands, a popular investment vehicle in the U.S.
- A widening campaign of harassment of large investors in South Africa.

Before the recent breakthrough by the anti-apartheid groups, U.S. corporations had managed to capture and hold the high ground in the apartheid debate by adopting a carefully reasoned, gradualist approach to change in South Africa.

Withdrawal, they argued, would cause more problems than it solved, intensifying the deprivation of the black population it was supposed to help.

Peaceful evolution towards a fairer society could best be assured by staying and creating better working conditions for the blacks.

This strategy was codified in 1977 in the so-called Sullivan principles, named after a coloured Baptist minister from Philadelphia who is also a board member of General Motors. Signatories of Sullivan included 150 of the 300 companies in South Africa, believe that it has been an enormously effective catalyst for change.

The programme, started by racially integrating employees and restaurants and other public areas, then pushed on with the encouragement of black trade

union organisations, education and housing help, and finally, last December, a strong statement calling for the abolition of apartheid.

Anti-apartheid groups, however, see the Sullivan formula as a defensive mechanism which works to the advantage of the South African regime.

"Divestment is the most effective way to tackle the South African regime because it relies so heavily on American multinational corporations to provide 'important technology,'" says Mr Richard Knight, of the American Committee on Africa.

"Sullivan has simply been used as a shield against the divestment campaign."

It is difficult to argue with the view that U.S. investment is important to the South Africans. According to figures produced by the Investor Responsibility Research Centre, around 70 per cent of the South African computer industry is controlled by American companies along with half of the oil industry and 30 per cent of the auto sector.

What is harder to estimate is how effective divestment would be against apartheid in

the absence of a concerted international agreement to put pressure on the South African regime.

It is equally unclear how effective the stepped-up divestment campaign has proved so far. It is true that U.S. direct investment in the country has dropped appreciably—from \$2.6bn at the high point in 1981, to \$2.3bn in 1983—but this trend began with the slump in the South African economy, which, according to Commerce Department figures, has cut average return on investment for U.S. companies from a high point of 31 per cent in 1980 to 17 per cent in 1982 and 1983.

In this economic environment, those companies that have left South Africa tend to present their disinvestment as a purely financial decision. Park-Elmer, for instance, a high-tech group whose recent withdrawal from the market was presented as a triumph by the anti-apartheid groups, says that it went because its operations were unprofitable. "We were suffering from the strong dollar and low volumes," the company says.

The divestment campaign,

however, has clearly scored by changing the views of industrialists on South African investment to one of extreme caution.

Similarly, recent consolidation moves by both Ford Motor and Coca-Cola are seen by many other investors as moves to reduce their South African exposure—although the companies themselves deny it.

The temptation to take a lower profile in South Africa is made all the more tantalising because for most companies it represents so little of their total activities—less than 1 per cent of assets for the average U.S. group.

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Terry Dodsworth in New York

Macdougall wants to wait and see

"I'm one of those who want to sit back and see what happens in the City revolution. Let the other people be the guinea pigs. There will be plenty of opportunities later."

Time will tell whether Patrick Macdougall's wait-and-see approach is right. In October he becomes chief executive of Standard Chartered Bank, and as such the man who will steer the bank through the brave new world shaping up in the City.

Standard Chartered is one of the few banks that has not sought a stockholder or jobber—a policy which challenges City orthodoxy but certainly looks wise in the wake of last week's mass defection from Wadd & Dacher, which Barclays Bank is buying.

"I can't believe that there is going to be any money in market-making to start with," said Macdougall. But then there will be drop-outs, and a second wave of opportunity.

Macdougall, who was speaking to me from holiday in Connecticut, comes to Standard Chartered with an eye-catching string of credentials. He qualified both as a barrister and chartered accountant, and has worked at Hambros and Rothschild. Since 1972 he has been a director of Jardine Matheson in Hong Kong in charge of their U.S. oil and gas business. He is 44.

Burgh's timetable

Sir John Burgh, aged 59, who has been appointed next chairman of the court of governors of the London School of Economics, faces a crowded timetable on taking up his new academic role in December. He will replace Sir Haw Wheldon who is retiring.

Sir John remains full-time director general of the British Council until he retires in two years. That job involves up to three months foreign travel each year. He is also on the council of the Policy Studies Institute, and secretary of the National Opera Co-ordinating

Men and Matters



"The Chancellor wants to know how many pop concerts it would take to reduce income tax by next April"

Committee.

A former LSE student himself, he regards his time at the college as the formative period of his life. He was president of the union in 1949 before starting a career in the civil service where he became a deputy secretary in the Department of Trade.

"Before accepting the LSE chairmanship I worked out in some detail with Dr Patel (the LSE director) what would be required of me to ensure I would be in Britain when needed," he says.

In turbulent student times the chairman has to act as the judge of last resort in sorting out college problems. Sir John says he does not expect that role to be an onerous one. "They are working hard to get jobs nowadays."

Diplomatic drive
 Passers-by in the southern Polish city of Krakow were

bemused the other day to see a British embassy car perched on the pavement with all four tyres missing.

The reason for the limousine's undignified state was that the tyres had been slashed overnight by people known to the diplomatic circles as "culprits unknown."

It is a euphemism which everyone seems to identify with that shadowy arm of officialdom dedicated to carrying out dirty tricks on those deemed worthy of such attention.

This time the victim was Alan Furness, number two at the British embassy, and his wife. Before leaving Poland for another posting they were making a farewell tour of Roman Catholic friends.

Their attendance at a disident "mass for the fatherland" at a Krakow church may have prompted the unfriendly gesture.

But the uniformed policeman who took details of the incident did try to make up for the unpleasantness by wishing them a happy stay in the city.

Taxing times

Rage, bewilderment, avasiveness—they seem to be the feelings engendered in successive generations of citizens when faced with an income tax demand.

New evidence has come to light that nothing has changed since prime minister Pitt raised such emotions in Englishmen by introducing income tax in 1798.

In that year, Charles Townley (whose collection of antiquities is in the British Museum) was startled to find himself liable to pay 10 per cent on his income above £200. As he was earning about £8,000 a year—a handsome sum in those days—he was clearly in for a big

Computer 2

The Townley Papers, to be auctioned by Sotheby's next week, include his attempts to fill in one of the first tax return forms. It is even more baffling than the 1935 version.

When Townley turns for help to his agent he finds no support for some ingenious ideas for cutting his liability.

The agent replies that he cannot alter the figures in the tax return because "I must stick to what I think is right."

Townley would be pleased to know that his papers are expected to fetch more than £50,000 at auction.

Last frontier

High technology is advancing into some rather grisly areas. Dr Duncan Davies, a former ICI and Department of Industry minister, is busy promoting necrotechnology—the application of technology to the business of death.

Davies has been inspired by the success of a small British biotechnology company called Marlborough Chemicals on Teeside.

Marlborough is using bugs—biotechnology—to make plastics which rot away rapidly in a moist environment. It is a bit expensive for plastic beer bottles but bearable for some surgical uses. Now Marlborough is selling it to some countries to make biodegradable coffins and shrouds.

Davies is taking what he calls "constructive eunymic digestion" a step further in California. He has an interest in a start-up biotechnology venture on contract to Forest Lawn, the famous cemetery.

Just too late

One of the highlights of the American Bar Association's current visit to London will be an excursion to Runnymede.

An earlier American visitor arrived there and asked, "Is this where Magna Carta was signed?" "Yes," he was told.

"When was it?" "1215." "Gee, I've just missed it."

Observer

"Soft! I did but dream"

William Shakespeare
 RICHARD III

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TIME may finally be running out for the craft print union, the National Graphical Association, in the British newspaper industry.

After decades of dictating its terms for the introduction of new technology the NGA has, over the past six months, seen its control slip from its grasp.

The competitive threat presented by the single-union newspaper deals of the aggressively moderate and technology-conscious electricians union, the EETPU, is only the most dramatic recent example of how radically the rules are changing. The combination of technological, political and legal change has been unkind to the settled ways of all closed shop-based craft unions in recent years—but none has more at stake than the NGA.

Its national strategy is now damage limitation. "After several false starts the retreat from Moscow has really begun," as one newspaper industrial relations director puts it.

What are these new pressures on the NGA?

It was bad enough that the old enemy Mr Eddie Shah is set to start printing a national newspaper next year outside London without recognising the NGA.

But the latest news of his single-union/no strike deal with the EETPU for the paper could in time usher in a serious challenge to the NGA throughout the printing industry.

The EETPU, which represents only a handful of electricians on provincial and national papers, has been planning the move into newspapers for some time.

The new electronic and computer-based technology shifts its focus down to the ground with its high-tech image, skill training centres, readiness to support maximum flexibility and to recruit on a general union basis.

The NGA, on the other hand, has been the monopoly supplier of a small and now declining set of skills. And while the print union boasts of its industrial muscle and craft solidarity it is the moderate, consensual, middle-class union of the mobile, white-collar multi-skilled, print labour force of the future.

The electricians may not succeed in muscling in very far, but the attractions to some employers who have been grappling for years with the NGA must be strong.

Assuming Mr Shah's paper does not flop, its competitive threat may force concessions out of the Fleet Street NGA and may encourage other newspaper entrepreneurs to start non-NGA "green field site" national or provincial papers.

In Fleet Street itself the several papers now starting

Britain's newspaper industry

All change for a proud union

By David Goodhart

moves to new plants in the East End of London are expected to squeeze far greater concessions in the shadow of the Shah paper.

Mr Rupert Murdoch's News International is also preparing itself thoroughly for the confrontational path if necessary, and has had discussions with the EETPU about its own single union deal.

Two medium-sized provincial paper groups have now successfully introduced the "electronic newsroom" without NGA agreement, and a third has just shelved detailed plans to do so, having forced significant concessions from the union.

Direct input or single-keyboarding—journalists and advertising staff sending copy straight to computerised typesetting and bypassing the traditional composing room—is the historic issue for the NGA. The union has for several years accepted its inevitability but struggled to soften the impact of the potential loss of over half its 13,000 provincial press members (out of an industry total of 43,000 employees) when the systems are fully introduced.

The harsh reality is that the computer has devalued the NGA compositor, and thus reduced his market power.

At the Kent Messenger, for example, the management has been paying young secretaries an hour to input copy since its 144 NGA members went into dispute in April. Employers have long been thinking "why pay a compositor £12,000 a year for a job that could be combined with, say, selling advertising space or acting as a secretary for £3,500." They are now starting to turn thought into deed.

The NGA, still a comparatively centralised and disciplined union, is thus quite rationally, using all the inde-

trial power at its disposal to win the best possible terms now.

Hence its rejection last year of the provincial employers' plans for a new technology enabling agreement and pro-unionism in the long negotiations with the few companies ready to use the technology.

Last February, however, the Wolverhampton Express and Star finally lost patience with the union's insistence on its own terms and locked out NGA members who would not co-operate with the new systems.

A few weeks later the Kent Messenger took similar action. The Portsmouth and Sunderland group has just won agreement for its tough terms for direct input. The Birmingham Post and Mail is still in the balance.

Now every paper that breaks out of the established system makes it easier for those that follow.

Even before the EETPU bombshell the NGA had been facing increasingly bitter opposition from both the print unions—the NUJ and Sogat 82 to its follow the job survival strategy.

The NGA argues that because technology shifts the "key-stroke" from their members in the composing room to the editorial and advertising departments they should be allowed to "follow the job" in limited numbers into those departments and remain in the NGA.

A probably dominant faction in the NUJ—led by Mr Jake Eccles—sees that strategy as NGA "imperialism" and helped to sustain an 18-week strike at the Portsmouth News in protest against the transfer of three NGA members into editorial.

Although it was not ultimately successful in forcing the transferees to join the NUJ it helped to give the transfer strategy a bad name.

Possibly even worse news for

the NGA is the fact that Sogat, which represents people in distribution, advertising and clerical departments, has shifted its position to one of outright hostility to the NGA's transfer ambitions. It has been keen, for example, to negotiate with both Mr Shah and News International on the basis of NGA exclusion deals, and may even consider joint deals with the EETPU.

All of these factors highlight the severe decline in the NGA's fortunes from the end of last year. At that point the union had successfully seen off the national talks and had just concluded the Portsmouth transfer deal which it hoped would set a trend through the industry.

Four months later the NGA had "lost" Wolverhampton and Kent, had witnessed the fourth month Portsmouth NUJ strike over transfer, and was in danger of sequestration of its assets arising from a contempt of court case brought by the Express and Star.

There has been some recuperation from that low point. Sequestration has been avoided and the NGA leadership has had the psychological boost of winning a one-year "good behaviour" agreement on technology from the big four—Westminster Press, the Northcliffe Group, United Newspapers and Thomson Regional Newspapers.

Because of their size and vulnerability the NGA members have taken a more cautious approach to new technology than some of the smaller groups.

However, these agreements should be seen in perspective. In a sense they are a sign of the NGA's weakness, merely formalising what has always previously been the case: that technology deals must be endorsed by the union's ruling national council. What's more the big groups—especially United Newspapers and TRN—

are making it pretty clear that it is only a breathing space and they too are now deadly serious about going over to direct input at their most advanced centres.

Mr Tony Dubbins, general secretary of the NGA, is the man who has to lead the union through this potentially traumatic and inevitably weakening transition.

Like previous leaders he has in principle accepted the introduction of direct input even if, as he believes, employers exaggerate the beneficial effect on the balance sheet.

However his recent intransigence over the terms for its introduction has made some people wonder whether the wily pragmatism for which the NGA was once famed may not have deserted it in its hour of need.

At least in public Mr Dubbins is still talking tough. He even implicitly contemplates the destruction of the NGA in newspapers before conceding: "We need continually to remind ourselves that of the NGA's 100,000 working members no more than 30,000 work in newspapers. If everyone of them disappeared the NGA would still be 30,000 strong."

Judging by deeds not words however, the pressure of recent events does finally appear to be forcing some significant retreats on, for example, the insistence on the closed shop in editorial when direct input is introduced.

Even job transfer ambitions are being scaled down a little. With a view to mending fences with the NUJ, Mr Dubbins says: "We are prepared to give an assurance to the NUJ that we will not use the follow the job principle as a platform for organisation in the editorial area."

It is also noticeable that (even before the EETPU revelation) the union's tough talking—realistically enough—does not extend to Mr Shah's

proposed paper. There is no talk of hatching or picketing the new paper, in fact Mr Dubbins hopes that indirectly through contract printing—Mr Shah will provide several jobs for NGA colour printing experts.

As the old blue-collar craft loyalty disappears, and the closed shop with it, the ethos of the union has gradually changed to reflect the skills and attitudes engendered by the new-tech environment.

"We have been changing as a union for 10 years to take account of these developments," insists Mr Dubbins. He points to the fact that 50 per cent of new NGA membership now comes through recruitment in non-union establishments rather than the apprenticeship.

The change may yet prove to be too little too late. And the acceptance of lower pay and a veto on NGA collective bargaining in the "transfer" departments on many newspapers may also prove too bitter a pill to swallow.

While Mr Dubbins would probably prefer to negotiate through that too, the ruling national council which has been shifting to the left may tie his hands.

One reason for that is the feared knock-on effect into the NGA heartland in general printing. Industrial relations have generally been quieter, and the union's muscle less, partly because customers can, and do, take their work abroad if the price is not right.

But negotiators on both sides believe that pay levels and attitudes to technological change have been strongly influenced by newspaper practice and NGA officials fear a decline in wages and influence once the union's newspaper aristocrats are toppled.

Lombard

A question of liability

By John Plender

THE PRINCIPLE of unlimited liability is, for all practical purposes, a thing of the past in Britain's banking system. Elsewhere it is increasingly under threat. On the Stock Exchange unlimited liability is shortly expected to become optional; the Stock Exchange Council is anxious to limit claims on the exchange's compensation fund before the introduction of negotiated commissions in 1986. In the Lloyd's insurance market outside members (or Names) are challenging the principle in the face of opposition from the market authorities. Leading accounting firms, in and out of Britain, are simultaneously seeking to limit their liabilities, as insurers refuse to grant full professional indemnity cover in the light of spiralling claims against auditors.

Is this an overdue retreat from an anachronistic vestige of 19th century business practice? Or is it a cynical attempt to bang on to the rewards of conducting financial business while shifting the risks from owners to creditors and from insurers to policyholders?

Whatever the answer, it is questionable whether the discipline of unlimited liability, whose survival was presumably intended to reassure clients and inhibit reckless trading, continues to work effectively in the times to work effectively in the last quarter of the 20th century.

At Lloyd's, for example it is hard to believe that the security which policyholders are said to derive from the supposed readiness of Names to stake everything down to the last cufflink is any longer of crucial importance in maintaining confidence in the market. Liability is in practice limited through stop-loss policies and other reinsurance and the discipline, however harshly it threatens to impinge on outside Names, has manifestly failed to prevent overtrading by professionals in the market—as has the regulatory structure provided by Lloyd's itself. Names in the former PCW syndicates could be excused for thinking that unlimited liability appears increasingly to be invoked in the wake of fraud and blatant regulatory failure. In these circumstances the market authorities at Lloyd's impose the ultimate sanction of bankruptcy at their peril.

As for the accounting firms, unlimited liability remains a

statutory requirement. Yet partnership is becoming an increasingly cumbersome form of ownership for the big firms, which have long since turned themselves into loose multinational federations and are increasingly diversifying away from their basic audit business. There is, moreover, a certain oddity in these guardians of business accountability being exempted from the requirement to disclose the state of their own finances.

The natural life of partnership and the Lloyd's syndicate has, in fact, been overextended by tax privilege and freedom from disclosure. The result has not only been to limit accountability, but to inhibit the introduction of fresh capital.

At Lloyd's the general issue of unlimited liability is perhaps less important than the specific need for the market authorities to acknowledge their responsibilities to the victims of inceptual regulation. But elsewhere realism dictates a shift towards forms of ownership that permit adequate capitalisation in a period of escalating risk in financial markets.

In the new conglomerate City there would be little sense in encouraging the reproduction of unlimited liability into banking through the banks' new broking and market making subsidiaries. The more complex question is how far, if at all, some limitation of liability should be permitted for auditors. With the Government itself seeking redress against the auditors of Johnson Matthey Bankers and De Loane the big firms are unlikely to receive a sympathetic hearing for pleas to put a cap on their exposure; and full incorporation does not provide full protection for anyone. Indeed the professional indemnity insurers are saying, in effect, that the risks may not justify the introduction of new capital into these businesses.

No doubt partners' assets are already being transferred into wives' names. This will reinforce 19th century marital values but do nothing to resolve a 20th century business problem. What is needed is for the issue of auditors' liability to be properly tested in the courts, instead of being fudged through continual out-of-court settlements. That is something the government is now in a position to bring about.

Liability for unsafe goods

From the Director-General, Confederation of British Industry

Sir—I understand that the House of Commons is shortly to debate the issue of liability for defective products. The CBI welcomes this debate, at a moment when the UK Government, along with its EEC partners, seems to be on the point of agreeing to a compromise directive which will seriously damage the interests of European industry.

I should make clear that responsible manufacturers want to put only safe goods on the market and have no wish to evade responsibility where they are proved to have been at fault. The CBI accordingly gave positive support to the Government's White Paper of last year which proposed a general principle of liability for defective goods which are safe according to sound modern standards. Failure to do so would expose a firm to criminal and civil sanctions.

The CBI asks the Government to adhere to the same principles in the European context. Thus, it is essential that the EEC directive should enshrine, without derogation, a development risk defence—i.e. that the producer should not be liable if a defect in his product could not have been discovered in the light of the scientific and technical knowledge at the time when he put the product on the market.

What is objectionable about the current compromise is that, while providing for a development risk defence, at the same time it permits any member state to disallow that defence. Moreover, after what is in effect a trial period of 10 years, the member states may agree to remove the defence altogether and, by the terms of the review procedure, are clearly invited to do so.

In its present form, the compromise falls on two counts: it will not achieve harmonisation of laws, the original purpose of the draft directive, and will be directly contrary to the UK Government's policy objectives, outlined in 1980, of a common regime embodying a development risk defence. Industry will thus be exposed to precisely that degree of liability in some EEC markets which the Government had declared to be unacceptable. Nor would consumers benefit, since although liability would be unlimited, the insurance cover available to producers would certainly not.

It would be extraordinary if this "free-for-all" were to be the final outcome of five years of negotiation in Brussels. At a time when the Government is taking positive action to relieve industry of unnecessary burdens, we cannot understand why it should add yet more

Letters to the Editor

uncertainties with little perceptible benefit in return. It is not too late to think again and we urge the Government to do this in the interests of sustaining industrial competitiveness. (Sir) Terence Beckett, 103 New Oxford Street, W1.

The profligacy of state borrowing

From the Honorary Secretary, Economic Research Council

Sir—The Chancellor (July 5) is right to ask why when governments borrow from the banking system they "acquire an additional interest charge in the process." Governments "raise money" for their expenditure through (a) taxation and (b) genuine savings. Any additional expenditure has to be met through borrowing from the banking system at the current rate of interest.

As a result, an increase in the national debt and consequently in the interest charges which the Government has to meet are also increased. If this burden continues to increase at present rates, the time will come when all taxable income will be required to meet the interest cost.

Historically the issue of all forms of money was the prerogative of the state. It is time we re-examine the present monetary system and adopted a more realistic and scientific system based on real wealth. Edward Holloway, Park Lane, W1.

Nails for 'efficiency' theorists' coffins

From Mr J. D. Cornford

Sir—I suppose we should be grateful for the space you allow to debate what some may think to be the purely metaphysical (OED "Fanciful conceits; far-fetched imagery") but as Barry Riley's article (July 5) shows, there is much material to make nails for the coffin of the efficient marketers, not least evidence that the market for equities is as other markets; governed by supply and demand, fuelled by fluctuating opinions about the desirability or otherwise of owning the goods on offer. There is certainly no "efficiency" in any economic sense involved.

I am quite sure some electronics analysts were reading the signs earlier, or even pointing out the risks while all seemed bliss. But I'm equally sure they were out-

weighed by the majority for a time. Would the EM theorists say the latter were no less well informed than the former? Or perhaps they would agree that the majority were just less prudent in their approach to risk. But different levels of prudence would lead to different prices being paid for the same "competently analysed information" and cannot therefore be admitted by efficient marketers.

The electronics experience is but one, highlighting whether research to cope with what is undoubtedly a risky industry is adequate. No anti-efficient marketer would disagree that the risk arising from severe demand fluctuations in a company's market is perhaps the most difficult one to forecast, and where developments might genuinely be called "news" (though people in the industry might disagree about that). However, there have been other cases where, without having to guess market demand, clues to the future could be discerned in the balance sheets of subsidiaries or trading partners well before "news" hit the efficient marketers.

If it is metaphysical, debate about the EMT is only so because, as in religion, the sceptic will never be convinced that anything happens other than by chance. Mr Coulson's monkey (July 2) sitting next to the casino tables, could not tell the difference between one man spinning a roulette wheel, and another tapping out King Lear on a daisy wheel. Only someone who had tried to write a couplet would know that.

J. D. Cornford, Lynwich Street, Rudgwick, Horsham, W Sussex.

A free market in conveyancing

From the chairman, National Association of Conveyancers

Sir—May I venture to suggest that Professor Farrand's muted fear of building societies and banks having a "de facto monopoly" in conveyancing (July 5) might be allayed if close consideration is given to the practicalities involved. As a principle activist in the mammoth task of fighting against the solicitors' claim to monopoly over the past 13 years I have a degree of scepticism towards any concept of lasting change that emanates from sources other than the grassroots. In this instance two main obstacles arise.

First, there is the problem of recruitment required to fill the

money lender's conveyancing departments. Not only would this have to be done from a very limited group of solicitors but a heavy subsidy from public funds would be essential until the conveyancing system itself is reformed by Parliament. Such financial subterfuge is likely to be quashed under the Government's conflict of interest controls and moratorium reforms are going to be resisted tooth and nail for so long as solicitors are a major force in conveyancing anyway.

Secondly, the strength of consumers' capacity to withstand any erosion of their rights to a choice of choice nowadays is formidable. Hundreds of homebuyers have consistently resisted all manner of devious pressure from powerful institutions which, believing that right is right, seem to engulf their transactions. They have won through because of an overriding preference for independent advice and a determination not to be patronised.

Despite the awesome threat of his brother bodies dominating the conveyancing world, I remain convinced that, provided the Government lays firm foundations for fair and honest competition at the outset, there cannot really be a valid argument for restricting conveyancing services solely to solicitors, licensed conveyancers and DIY people. The market will, in my opinion, soon lose their one-stop-shop appeal as homebuyers find that genuine low cost independent professional conveyancers give a personal service that cannot be surpassed.

David Ashford, 2-4 Chichester Rents, Chancery Lane, WC2.

Handwriting key to recruitment

From the managing director, Executive Search

Sir—I would go further than Brian Groom or Mr J. J. Q. Fox (Letters, July 5) and recommend that no young executive should set out on a career without the benefit of a psychological or other test to guide his choice. Employers, too, would find tests of great value in selecting graduate trainees.

There are, however, two disadvantages to psychological testing when recruiting more mature executives: the time a candidate must spend to be tested and the cost to the employer on top of the already high fees charged by many search consultants.

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U.S. PRESIDENT DISPLAYS GREAT RESILIENCE

Reagan recovering 'superbly'

By REGINALD DALE, U.S. EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan continued to recover "superbly" from Saturday's major surgery as he awaited the results of a cancer test in Bethesda Naval Hospital, the White House said yesterday.

As Mr Reagan dozed after a restful night, his doctors said that they were "running out of superlatives" to describe his resilient condition. It was confirmed that he would return to the White House within five to eight days for a period of convalescence.

The results of a biopsy on the five-centimetre growth removed from Mr Reagan's intestine were due later yesterday, a few hours later than originally expected. Mr Larry Speakes, the White House spokesman, said that Mr Reagan would take time to discuss the results with his wife, Nancy, and his White House staff before they were announced publicly.

While the test should provide some indications of Mr Reagan's longer term health outlook, his doctors have said that even if cancer is found there should be no need of immediate new therapy, or further surgery. Saturday's three-hour operation would probably be "curative

in itself," although Mr Reagan would need more frequent medical check-ups in future, they say. Mr Reagan, who stayed up until after midnight on Sunday finishing a Western novel - to "see if the butler did it", as he told a nurse - was suffering only slight abdominal discomfort when he got out of bed, Mr Speakes said. As an "upbeat, optimistic person," he was well prepared for any eventuality.

In his latest bulletin, Mr Speakes said that the President's vital signs were in the normal range, the same as those of a person who had not had surgery. His temperature was still above normal, but well within the usual post-surgery range.

The White House staff were to meet later yesterday to review Mr Reagan's schedule for the next three to four weeks, in which he is expected to undertake only light duties. Mr Speakes confirmed, however, that Mr Reagan still planned to meet President Li Xianlian of China, who will be visiting next week.

With the summer holidays fast approaching, Mr Reagan already faced a relatively low workload in the coming weeks. He was not, in



Mr Ronald Reagan

any case, expected to relaunch his campaign for major tax reforms until September.

Nevertheless, he will be obliged to delegate more decisions, further increasing the power of Mr Donald Regan, his Chief of Staff, who is acting as the linkman between the White House and the presidential bedside in suburban Washington. The unexpected operation is the third in a series of unforeseen

events that have side-tracked Mr Reagan from the duties of office in recent months, following the failure over his visit to the Bitburg war cemetery in April and May, and last month's 17-day Beirut hostage crisis. For the last three days, his operation has wiped virtually all other news from the nation's TV screens.

Mr Reagan's apparently cheerful submission to the surgeon's knife was expected to lead to a new wave of public sympathy comparable to that which followed his survival of the assassination attempt in March 1981, when his popularity rating jumped 11 percentage points in one day. Most Americans, however, while anxious about the President's condition, were going about their business as usual yesterday.

As for Mr Reagan himself, by yesterday morning he had put down his Western novel, *Jubal Sackett*, by Louis L'Amour, one of his favourite authors, and was nodding over *Return To These Hills*, by Calvin Coolidge, one of his favourite Presidents. Mr Speakes said that *Jubal Sackett* was currently number six on the bestseller list, and "we'll see where it goes now."

EEC farm ministers still in deadlock on cereals

By two Dawney in Brussels

EEC FARM MINISTERS yesterday began their ninth consecutive attempt to agree a reduction in Community cereal prices in an atmosphere of widespread pessimism.

After an initial round of bilateral discussions, Mr Marc Fischbach, the Luxembourg minister newly installed as president of the Farm Council, looked no nearer a breakthrough than his Italian predecessor.

The deadlock continues to centre on the refusal of Herr Ignaz Kiechle, the German minister, to sanction any real reduction in his grain farmers' incomes. Efforts by Mr Frans Andriessen, the Farm Commissioner, last weekend to find a compromise came to nothing.

Failure to reach a deal today will mean that the Commission's decision to push ahead with a 1.8 per cent price cut - acceptable to all but Germany - will be carried through when the new marketing year begins next month.

Although Bonn has vetoed this move, the Commission claims it is legally obliged to manage the markets in the absence of a ministerial decision. The price cut is already officially in force for oilseed rape, whose season began on July 1.

Some observers believed yesterday that Germany might agree to be overruled in a vote if certain concessions lessening the impact of the price cut were agreed. But this was later denied by officials.

Mr Michael Jopling, the UK minister, told reporters only a few hours after the meeting began that many of his colleagues had already "accepted the inevitable" that no deal could be done at the current meeting.

The Ministers also began considering a discussion prepared by the European Commission on reform of the CAP. The most noteworthy adjustment to the original version is in presentation, where there has been a marked softening of the combative tone of the original. Details, Page 2

THE LEX COLUMN

Tight corner for the Fed

As signs of a flagging real economy accumulate in the U.S., the pressures on Federal Reserve policy seem to multiply. If the latest news of falling inventories is any clue, Thursday's second-quarter GNP estimate will be fairly depressing yet the M1 measure of money is growing rapidly and the dollar has recently been on the slide. Mr Volcker's chronic difficulty, to be faced yet again in his congressional testimony this week, is to reconcile conflicting demands for sound money and a reassuring level of activity; this time it will be exceptionally difficult.

The most pressing technical difficulty at present is that M1 cannot be brought anywhere near its target without implausibly savage interest rate increases - out of the question unless the Fed is prepared to be made the scapegoat for recession. The overshoot can be to some extent explained by falling velocity in the first two quarters - and it may be that Mr Volcker will just fall back on dismissive remarks. But it is possible that the Fed has decided to raise the target range or, as in 1982, to rebase the figures.

Lifting the ceiling would be discouraging to bond investors, though it could be justified on the view that money growth has been concentrated in savings accounts - less likely than traditional deposits to fuel consumption. The rebasing option, perhaps more likely, could be defended on the more worrying grounds that velocity has been falling chiefly because previous monetary relaxation has been feeding in to imports.

That is probably the nub of the problem. There is all sorts of evidence that while easier credit has helped the service side of the U.S. economy to bloom, it has done little or nothing for manufacturing, where employment continues to decline, and output is still being pulled back. Faith in a recovery later in the year seems to assume that a further dose of the same medicine will have more effect - through a bounce in housing and in the auto industry. It is perhaps most likely to do so if the dollar continues to slide; the monetarist prescription of interest rate cuts has most chance of working if imports are choked off by a depreciating currency.

Base rates

By the time the London clearing banks came round to the Bank of England's point of view yesterday



earnings this year above last year's \$10.77bn, at least at current exchange rates the second half should make up first half translation losses.

IBM was sensitive enough to remind the world that it is financially sound - which hardly seemed necessary, despite the drain in its cash resources from two poor quarters. The best news yesterday was the bringing forward of deliveries of the new 3090 series to the current quarter from November: sales of the 309x have been drying up in the U.S., if not in Europe, in the last two months in expectation. Though IBM may have lost a little of its credibility in the past six months, it does not have to do much more to justify its modest rating of 11.5 or so for this year the removal of direct exposure to satellite losses and the move into long-distance data transmission with MCI are a reminder that IBM is not muscle-bound by size.

Montedison

London's ambition to become a clearing house of European equities looks less and less far-fetched. In the past few weeks London's stockbrokers have placed substantial quantities of stock in a Spanish telephone utility, a French volume car manufacturer and a diversified Italian chemicals group. The Italian job - for Montedison - is the most intriguing of them all.

The argument most commonly advanced against the idea of a European securities exchange is that trading practices and institutional structures are simply too diverse to be harmonised. Italy is often held up as the supremely idiosyncratic market which could not be harmonised with anything. Yet it is the oddness of the Italian market which has encouraged Montedison to diversify its shareholders' register. Roughly a third of the group's issued equity has been placed by institutions in London and New York apparently as a way of weakening the control which could be exercised by a single shareholder.

Stockbrokers in London placed roughly 10 per cent of the Italian group's equity around Europe and presumably have a highly satisfied client. If foreign markets can be used to reduce the influence of vested interests at home, there is no telling how many European companies would subscribe to the idea of an integrated exchange.

UK broker a key in Montedison placing

By Alan Friedman in Milan

QUILTER Goodson and Company, the London stockbroker which is headed by Sir Nicholas Goodson, chairman of the London Stock Exchange, played a key role in the placing of a block of shares in Montedison, the leading Italian chemicals group which is now one-third owned by a diverse group of U.S. and British investors. Quilter handled around £25m (\$34.7m) of the transfer of shares, which were previously held by Italian banks.

The total amount of Montedison shares placed either in the UK or via UK stockbrokers was about 10 per cent of Montedison, representing more than £75m.

The rest of the third of Montedison was placed with U.S. investors, including an unidentified U.S. chemicals company which is currently in talks with the Italian chemicals company over a merger with Montedison's special chemicals division.

The planned merger is likely to involve the new Dutch-registered concern set up following the merger two weeks ago of Montedison's Ausimont chemicals subsidiary and Compo Industries of Delaware. Montedison controls 88.5 per cent of the Dutch holding company, which will be quoted on the American Stock Exchange.

Quilter's business represented around 3.5 per cent of Montedison's total share capital. Most of the Quilter buying appears to have been for UK and continental European fund managers. Mr Adrian Cowell, Quilter's partner in charge of international business, said yesterday that a significant portion of the shares were placed through London for institutions in France, West Germany, Switzerland, Austria and Denmark.

Mr Cowell said he did not believe there was a concerted group of investors - it has already been learned in Milan that the goal of the Anglo-American share placing, which cost investors between \$250m and \$300m in all, was to fragment the group's share structure in order to avoid interference in Italy.

Meanwhile, in Italy, a Communist party Deputy has called for a parliamentary inquiry into the identity of overseas Montedison shareholders. The transfer of Montedison shares out of Italy, which took place over a three-week period in late May and early June, was co-ordinated in great secrecy by Mediobanca, the merchant bank.

In Italian terms, the share transfer is already being seen as an attempt by Montedison to break away from the influence of Gemina, the holding company.

See Lex

Major reorganisation for STC in wake of ICL acquisition

By JASON CRISP IN LONDON

STC, the UK electronics and telecommunications group, has made its first substantial reorganisation since it acquired ICL, the computer manufacturer last year. STC is 24 per cent owned by ICL.

The announcement of the changes comes as corporate analysts in London await details of STC's first half losses to be announced in early August following a warning earlier this month. Confidence in the group is extremely low but STC hopes the reorganisation will demonstrate some of the benefits of the ICL acquisition.

However, the benefits from the changes are likely to be long-term and analysts remain much more concerned about the company's immediate problems in telecommunications and electronic components.

A new company to sell private communications networks has been formed from existing parts of STC, IAL, which it acquired two years ago, and ICL. The company, STC Network Systems, will have a turnover of about £50m (\$69.4m) with 1,000 employees.

The move marks STC's first step towards the convergence of computer and telecommunications technology which was given as the main reason for the bid. STC sees the new company as an important part of its future strategy.

STC says the world market for networks will be worth \$80bn worldwide by 1990 with nearly one quarter of sales in Europe.

The new company brings together six separate groups from the two

main companies. These include ICL's private exchange (PABX) division, a software company from STC, and IAL's Data Communications division. STC Network Systems will be part of ICL - the two companies have otherwise generally remained separate since the takeover.

Mr Nigel Horne, STC's director of corporate development, said yesterday: "Integrated information systems to make our customers both more efficient and more effective will be one of our principal businesses and STC Network Systems is therefore central to our future plans. It will add considerably to the growth of our total business through the additional sales it will generate for products and services from other parts of STC."

Pound steady as UK banks cut key rates

Continued from Page 1

than envisaged by the Government's official target range.

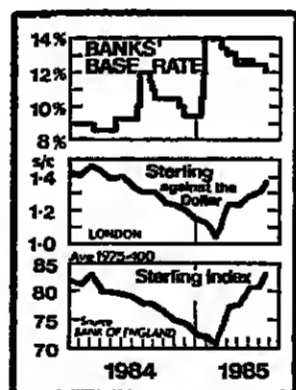
Mr Lawson said that there was "no laxity in monetary conditions at the present time." The narrow money supply measure, M0, the exchange rate and the housing market all suggested that monetary policy was relatively tight.

In his evidence to the committee he appeared to take a rather softer line than in the past on the question of British membership of the European Monetary System's exchange rate mechanism. While the balance of advantage was still against, there were good political arguments for full membership of the EMS.

Yesterday's base rate cut was led by National Westminster and was quickly followed by Barclays, Midland and Lloyds.

Base rates are now 2 points below the crisis level of 14 per cent set during the run on the pound in January, but still remain far above the levels in most other industrialised nations.

Three month D-Mark interest rates, for example, are some 8% points below sterling rates, while



French rates are about 1% points lower.

It is these differentials that have encouraged a rush of funds into sterling as investors have moved out of the dollar, pushing up the pound's value not only against the dollar but also against European currencies.

The CBI said yesterday that the 4-point cut was a "small step in the right direction." Sir Terence Beckett, CBI director-general, added, however, that the recent 14 per cent rise in sterling against the D-Mark might have serious consequences for British exports.

"We are hoping for a further substantial reduction in UK rates in the next few weeks," he said.

On the foreign exchange markets the dollar recovered briefly but then came under renewed pressure because of concern over slower U.S.

growth and falling short-term interest rates.

The U.S. currency closed in London at DM 2.8770, down 1.3 pence from Friday, while sterling gained 0.25 cents to end at \$1.3885.

The sterling index, which measures the pound's value against a basket of currencies and is calculated before the close of trading was 0.2 points lower at 83.2.

Britain's building societies indicated yesterday that they were not planning an immediate cut in mortgage rates, but they were optimistic about the chances of a 1-point reduction from September.

Mr Roy Cox, chairman of the Building Societies Association, said that a strong improvement in the societies' cash inflow so far this month meant that if present trends continued "it is hoped that building societies' rates can be reduced in the fairly near future."

IBM profit falls in second quarter

Continued from Page 1

third quarter for a number of our customers.

"The continued strength of the dollar and its impact on currency exchange rates has had significant negative effect on our reported results for the second quarter and year to date," he added. Had currency rates been the same in the latest first half as in the 1984 period, IBM estimated that its gross income would have been \$1.24bn higher, a gain of 8 per cent, and net earnings would have been \$225m higher, a more modest 7 per cent improvement over the 1984 first-half.

But the company added that if

the dollar remained at its current level, down significantly from the first quarter peak, "all the impact on IBM's full-year revenue and earnings would have occurred in the first half of 1985."

Finally Mr Akers cited "the softness in the U.S. economy" as having a negative impact on earnings. While the group said it was receiving good order rates for its high-end storage devices and personal computers, "demand for intermediate systems in the U.S. remains soft."

The IBM president said world-wide shipments for the first six months were higher than last year,

but noted that "substantially all of the growth" came from outside the U.S. For both the quarter and the six months IBM's revenues from services, up 14 per cent in the latest quarter, grew faster than sales, which increased by 8.3 per cent to \$7.68bn in the latest three months.

These gains helped to offset a continued sharp decline in rental revenues, which fell by 39.1 per cent to \$1.08bn in the latest quarters, as IBM has encouraged a switch from customer rentals to sales.

Intel, a leading semiconductor chipmaker in which IBM has a 20 per cent stake, yesterday reported

an operating loss and a sharp 83 per cent decline in second-quarter net earnings, which it blamed on continued weakness in semiconductor demand. The company added that it saw no signs that the slump in demand was ending.

The Santa Clara, California-based group, said net earnings fell to \$9.25m, or 8 cents a share, from \$54.96m, or 47 cents, in the corresponding period a year earlier. Revenues dropped by 12.2 per cent to \$360m from \$410.1m.

On an operating basis, Intel suffered a \$8m loss for the second quarter

World Weather

Location	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud		
Amman	25	SE	8	Amman	25	SE	8	Amman	25	SE	8
Algiers	27	SE	8	Algiers	27	SE	8	Algiers	27	SE	8
Antwerp	17	SE	8	Antwerp	17	SE	8	Antwerp	17	SE	8
Athens	23	SE	8	Athens	23	SE	8	Athens	23	SE	8
Bahia	27	SE	8	Bahia	27	SE	8	Bahia	27	SE	8
Bangkok	31	SE	8	Bangkok	31	SE	8	Bangkok	31	SE	8
Barcelona	22	SE	8	Barcelona	22	SE	8	Barcelona	22	SE	8
Bombay	27	SE	8	Bombay	27	SE	8	Bombay	27	SE	8
Buenos Aires	22	SE	8	Buenos Aires	22	SE	8	Buenos Aires	22	SE	8
Calcutta	27	SE	8	Calcutta	27	SE	8	Calcutta	27	SE	8
Cairo	27	SE	8	Cairo	27	SE	8	Cairo	27	SE	8
Cardiff	17	SE	8	Cardiff	17	SE	8	Cardiff	17	SE	8
Chennai	27	SE	8	Chennai	27	SE	8	Chennai	27	SE	8
Copenhagen	17	SE	8	Copenhagen	17	SE	8	Copenhagen	17	SE	8
Dublin	17	SE	8	Dublin	17	SE	8	Dublin	17	SE	8

Continental Illinois income slips

CONTINENTAL Illinois Corporation, holding company of the troubled Chicago bank, said yesterday that net income had fallen slightly in the second quarter from the first quarter. Reuter reports from Chicago. The group, however, had reduced its borrowings from both the Federal Reserve and a special funding group of U.S. banks.

Continental's net income in the second period was \$37.3m, or 13 cents per share, against \$39.3m, or 14 cents in the first quarter, and a loss of \$1.18bn, or \$28.86, in the second quarter of 1984.

Borrowings from the Fed aver-

aged \$481m in the second quarter, against \$965m in the first period. Borrowings from the special funding group of banks fell to an average of \$3.1bn from \$4bn in the first quarter.

The bank said that Continental's management believed that comparison of results of the second quarter of 1985 with the second quarter of 1984 was not meaningful because of the restructuring that occurred on September 18, 1984.

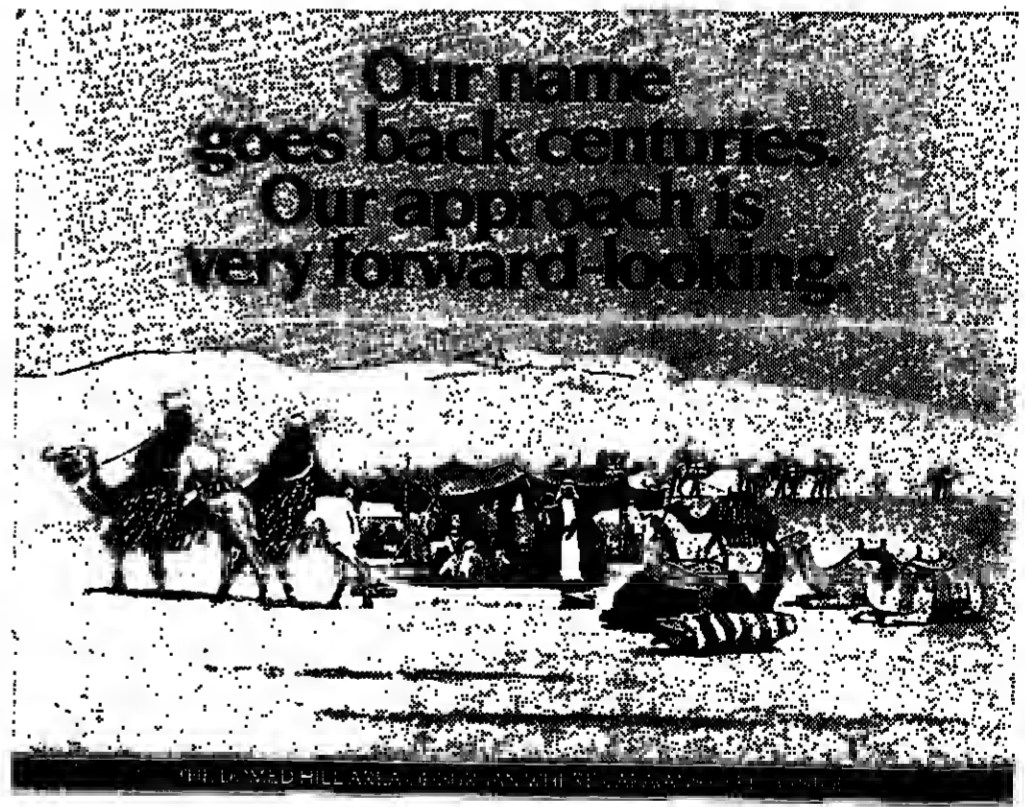
Under that change, Continental Illinois Corporation merged with Continental Illinois Holding Corporation, the majority of which is

owned by the Federal Deposit Insurance Corporation (FDIC).

Mr William Ogden, the bank's chairman, said lower second-quarter earnings were primarily a result of lower net interest income and slightly higher non-interest expenses partially offset by non-interest income and a lower provision for loan losses.

Income tax benefits derived from the 1984 loss also were lower, at \$12m against \$15m in the first period.

Second-quarter net interest income dropped by \$8m to \$180m, which Continental attributed to a decline in both interest rate spreads and average earnings assets.



We took our name from the hilly area of Burgan where once caravans used to stop on their travels in the Arabian Peninsula, and where the first and largest oil field was discovered. So Burgan not only stands for the country's past tradition, but its present prosperity too. In our case, it also stands for something else, a progressive attitude that is definitely looking to the future.

And that's something we believe is a very important quality in a bank. After all, a bank's success is often dependent on its ability to spot future business potential. Our success is proof of us having that ability. So, if you need a forward looking bank, talk to us. At Burgan Bank we can help with contract or project financing, trade financing, loans, fund management, foreign exchange and a full range of other financial services. Whichever you need, use us once and you'll never look back.

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valuations & rating —



SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday July 16 1985



JUMP IN INTEREST INCOME AIDS BANKS IN SECOND QUARTER AND FIRST HALF

Profits up for Chase, Morgan

BY PAUL TAYLOR IN NEW YORK

CHASE MANHATTAN and J. P. Morgan, two of the major New York money centre banks, yesterday reported sharply higher second-quarter and first-half net earnings, mainly reflecting higher net interest income spurred by lower bank funding costs and soaring foreign exchange and securities trading profits.

Chase Manhattan, the third largest U.S. banking group, said its second-quarter net income increased by 45 per cent to \$131m or \$2.88 a share from \$90m or \$2.21 a share in the year-ago period. The latest per share figures reflect increased preferred stock dividend requirements and an increase in the number of common shares outstanding.

J. P. Morgan, the fifth largest U.S. banking group, said second-quarter net earnings increased by 5.9 per cent to \$157.5m or \$1.75 a share from \$148.7m or \$1.68 a share in the 1984 period.

Chase said its earnings gain mainly reflected increased net interest income and other operating income including increases in most fee-based income categories. These gains were partially offset by increases in other operating expenses and in the provision for possible loan losses.

The banking group noted that it received about \$18m in pre-tax interest payments on cross-border loans to public sector Argentine borrowers. However, in line with new federal regulatory guidelines, this interest income was offset by an incremental provision for possible loan losses.

The latest quarterly earnings lifted Chase Manhattan's first-half net income to \$265m or \$3.30 a share, including a pre-tax \$22m (\$15m after tax) gain from the sale of almost all the bank's minority interest in Diamond Lease of Japan, compared with \$193m or \$4.76 a share in the same period last year.

J. P. Morgan, whose principal subsidiary is Morgan Guaranty Trust, said the latest results lifted first-half earnings to \$322m or \$3.60 a share from \$249.7m or \$2.82 a share in the year-ago period.

The banking group said the higher second-quarter and six-month earnings resulted from increases in both net-interest income, which grew by 17.2 per cent to \$421.2m from \$359.5m resulting from higher net yields between lending rates and the costs of funds and an increase in interest earning assets to \$58.2bn from \$53.1bn, together with higher non-interest income, primarily trading results.

Foreign exchange trading resulted in a \$45.6m gain in the latest period compared with losses of \$12.9m a year earlier, while other trading income increased to \$31.5m from \$3.5m a year ago and net investment securities gains grew to

\$24.5m compared with a \$1.6m loss in the 1984 second quarter.

J.P. Morgan said these gains more than offset higher non-interest operating expenses and income taxes.

In the latest period, J.P. Morgan said the provision for credit losses increased to \$90m from \$45m a year earlier and \$30m in the first quarter. For the six months, the provision was \$122m compared with \$60m in the 1984 period.

The bank said the increase in provisions reflected "management's concern about the uneven economic recovery in both the U.S. and abroad."

Net charge-offs totalled \$36m in the latest quarter after recoveries of \$6m compared with net charge-offs of \$12m after \$5m in recoveries in the 1984 second quarter. The resulting reserve for possible loan losses stood at \$85.5m at the end of June.

Arbed Saarstahl to seek more aid

By Rupert Cornwell in Bonn

ARBED SAARSTAHL, the troubled West German steelmaker, will require further aid this year and next to ward off financial collapse, despite a steady improvement in its operating performance.

This emerged in a letter from Herr Oskar Lafontaine, Social Democrat premier of Saarland where Saarstahl is based, which attached Federal authorities for their determination to give no further direct aid to the company.

It also coincided with the publication of Saarstahl's 1984 results, which show a further heavy loss. The steelmaker showed an accounting deficit of DM 92.4m (\$51.9m) last year compared with a DM 123m deficit in 1983, and comes despite a rise of more than 13 per cent in sales to DM 2.24bn. Its workforce of 14,400 is more than one tenth smaller than 12 months earlier.

The company said that operating losses have continued during the first quarter of 1985. However, in April and May it registered a positive cashflow for the first time since these latest difficulties began and is optimistic that the trend will continue for the next few months.

More than DM 3bn in public aid has been injected into Arbed Saarstahl. Nevertheless, fresh aid will be needed as Herr Lafontaine, a left-wing Social Democrat who led his party to victory in Saarland in last March's state elections, made clear in his open letter to Chancellor Helmut Kohl.

The chances of further support — estimated at up to DM 350m before the end of 1985 — have not been enhanced by the acrimonious exchanges between Herr Lafontaine and the centre-right coalition in Bonn.

Levi Strauss set to go private again in \$50 a share deal

BY CHRIS CAMERON-JONES IN NEW YORK

LEVI STRAUSS, the world's largest maker of jeans, will go private again after 24 years, if a \$50 a share leveraged cash buyout yesterday by members of the founding family is successful. News that Mr Robert Haas, president and chief executive officer of the U.S. group, was considering such an offer, valuing the group at \$1.88bn, last week sent shares climbing and in early trading yesterday they rose 5 1/4 to \$46 1/4.

Family members holding 36 per cent of the shares have obtained commitments for more than \$20m of debt and equity financing for the deal. The remaining family members and trusts controlling an additional 4 per cent are expected to support the proposal. At the same time, they reserve the right to prevent a third party from securing control of Levi Strauss.

Mr Haas said a return to family ownership was to "better enable management to focus attention on the long-term interests of the company." Private ownership would be the most appropriate way to ensure that the company continues to respect and implement its important values and traditions, he added.

Wall Street analyst Mr Alan Sil-

berman of Evans Company described the offer as "well thought out" and one that would not strain the company. As to Levi's outlook, he felt it had closed enough facilities to match demand and would do well, whether private or public.

RHF, a newly formed company being advised by Hellman Friedman, a San Francisco-based investment bank, will be the vehicle for the deal. Wells Fargo Bank has agreed to organise and participate in a syndicate that will provide \$1.45bn to fund the offer and an extra \$250m for working capital. A number of major banks have already agreed to provide substantially all the necessary funds, RHF said.

Salomon Brothers has agreed to underwrite \$300m of subordinated debt to retire existing debt. The balance of the financing will be supplied by the family, who would provide 7m or more of their shares and have obtained a \$300m line of credit to buy shares in the market or through private deals.

Levi's profits have recovered strongly this year as a result of cost cutting after a slide to \$41.4m net from \$194.5m on sales of \$2.51bn.

Wheeling Pittsburgh sees loss of \$50.1m

By Our New York Staff

WHEELING Pittsburgh, the big U.S. steel company which filed for protection under chapter 11 of the U.S. bankruptcy code in April, lost \$50.1m in its second quarter, almost as much as it lost in the first three months of the year.

The Pittsburgh-based group, which ranks as America's seventh largest steel producer, shipped 550,000 tonnes of steel worth \$245.5m in the latest quarter, down from 634,573 tonnes, worth \$279.1m in the same period of last year.

Operating losses in the latest quarter totalled \$18.5m compared with an operating profit of \$18.7m in the same period last year. The latest period includes a non-recurring loss of \$28.7m for the estimated costs of closing a Minnesota iron ore mine and a coal mine in Pennsylvania.

Mr Dennis J. Carney, Wheeling-Pittsburgh's chief executive, says that "severe price discounting, reduced shipments and production and continued high levels of imports have had a severe effect on our operating results."

Cooke in new \$1.17bn bid for Multimedia

By Our New York Staff

MR Jack Kent Cooke, U.S. entrepreneur and owner of the Washington Redskins, an American football team, kicked off with another revised offer for Multimedia yesterday, valuing the group at \$1.17bn. This time he sweetened the offer to \$70.1 a share from \$65, for 40.3 per cent — 6.73m shares — of the South Carolina-based TV stations, cable and newspapers group.

These shares, together with the 1.62m Mr Cooke and his affiliates already own, would give him majority control. If successful with the new bid, he would extend a cash and securities offer of the same value as the latest bid to the rest of Multimedia's shareholders.

In early trading, Multimedia's shares rose 5 1/4 to \$62 1/4.

Federal Farm Credit in bid to rescue Omaha bank

BY WILLIAM HALL IN NEW YORK

THE FEDERAL Farm Credit System, which lends about a third of the \$212bn borrowed by U.S. farmers, is mounting a \$435m rescue of the troubled Federal Intermediate Credit Bank (FICB) of Omaha which has been hit by the mounting financial problems of farmers in the Midwest.

The FICB of Omaha is one of 12 banks which provides short and medium-term credit to about 370 production credit associations (PCAs) which in turn provide working capital to farmers throughout the U.S. To date, 11 PCAs have collapsed causing hardship to thousands of farmers and the rescue of the Omaha bank, which is the second biggest in the U.S. farm credit system, is designed to prevent further collapses.

Under the proposed plan, banks in the Federal Farm Credit System will inject \$75m in the form of a loss-sharing payment, and another \$75m of potential losses identified by a special credit review would be absorbed by the FICB of Omaha and its associated PCAs utilising existing loan reserves and surplus.

In addition, the Farm Credit System Capital Corporation, which was established earlier this year to speed the rescue of the FICB of Spokane, Washington state, will purchase and service on behalf of the 37 farm credit banks approximately \$240m in high-risk assets from the FICB of Omaha and its related PCAs.

Finally, the proposed rescue plan will provide for loss-sharing payments of up to \$25m from system banks to underwrite future operating losses (net of earnings) of the FICB of Omaha, as may be required.

The FICB of Omaha has loans of \$1.6bn outstanding to 37 PCAs serving 19,000 farmers and ranchers in Iowa, Nebraska, South Dakota and Wyoming. These states have been among the hardest hit in the U.S. by the current stress in the farm sector.

The Farm Credit System is one of the biggest borrowers in the U.S. financial system. Last year, it sold \$103.9bn of bonds and notes which it used to finance its \$75.8bn of loans.

Biomedical equipment venture for France

BY DAVID MARSH IN PARIS

FRANCE's medical research agency Inserm is teaming up with financial organisations and industrial groups to set up a biomedical instruments company, Biocom.

Biocom, with a capital of FF1.10m (\$1.13m) will become operational later this year. Its research activities will be geared towards providing image processing equipment, biotechnology instruments and computer services for the biomedical industry.

Inserm will take a 30 per cent stake, while other shareholders in-

clude the Soginove venture capital group and Société Européenne de Propulsion, the rocket engine maker which also has image processing activities.

The decision to set up Biocom is in line with the Government's aim of improving overall French expertise in the scientific instrumentation field, where much of the market is taken by foreign companies. The French atomic energy commission earlier this year also set up a commercial biomedical company, Oris-Industrie, to group together its activities in the radiology field.

Ashland agrees to sell Integon to Southmark

BY OUR FINANCIAL STAFF

ASHLAND OIL, the largest U.S. independent petroleum refiner, which supplies many smaller marketing companies, has agreed to sell Integon, its insurance subsidiary, to Southmark, the property management and development group, for about \$157m.

Ashland announced last September that it intended to sell Integon, a life, property and casualty company with mortgage guarantee interests. It bought Integon in 1981 for \$338m as part of a larger \$404m acquisition of U.S. Filler.

When it announced its intention to sell Integon last September, with several other former U.S. Filler subsidiaries, Ashland said it would take a \$270m charge against expected losses on the disposal.

The disposals are part of a strategy by Ashland to concentrate resources more closely on its key businesses of oil refining and marketing, special chemicals, oil and gas exploration and coal.

Integon, which consists of six insurance companies operating in 43 states, has 800,000 outstanding policies in force and \$135m of life insurance.

EUROBONDS

Novelty issues lift interest in dull market

BY MAGGIE URRY IN LONDON

EUROBOND traders were looking to novelty in the market yesterday to provide excitement. Pirelli, the Italian tyre and cable group, coordinated convertible bond issues in three currencies, while in the Euroyen market Swedish Export Credit launched the first zero-coupon issue.

Meanwhile China made a foray into the Euro-Hong Kong dollar market through the China International Trust and Investment Corporation (CITIC).

Dispersions were necessary for the Eurodollar bond market, suffering under the dollar's decline, was dull with prices largely unchanged in thin trading.

The Pirelli deal was well received in early trading with all three issues — in dollars, sterling and D-Mark — quoted within their 1 1/4 per cent selling concessions. The dollar portion raises \$50m and is led by Credit Suisse First Boston. It has a 10-year maturity with an indicated 7 to 7 1/4 per cent yield. Coming in the name of Pirelli Financial Services, the bonds are convertible into the bearer participation certificates of Société Internationale Pirelli —

BNF Bank bond average			
July 15	105.750	Previous	105.517
1985	105.537	1984	105.240

the Swiss entity — at a 5 to 10 per cent indicated premium, or into SIP shares at a premium expected to be up to 2 1/4 per cent.

The \$40m issue is led by Baring Brothers and the borrower is Pirelli UK International Finance. The bonds mature in 2000 and the coupon is indicated between 7 1/4 and 7 3/4 per cent. As well as being convertible into the two SIP shares, these can be switched into Pirelli SpA shares, at a premium indicated in the 5 to 6 per cent range.

The third part is a DM 100m issue for Pirelli Financial Services, led by Berliner Handels- und Bank AG. This has a seven-year life and a 4 per cent coupon is indicated. Like the sterling deal, it can be converted into the three different types of shares.

All three will have final terms set on July 25 and the conversion pre-

miums will be set in reference to the average share prices over the 15 business days starting on July 5, which have already shown a rise. The sterling and dollar issues have put options after seven years at 105 to give investors some protection if the equity play proves disappointing.

The expected zero coupon issue in the Euroyen market was launched by Swedish Export Credit yesterday, with Nikko Securities (Europe) as lead manager. The issue, thought to be for a swap, has a five-year life with an issue price of 73.261, giving a yield to maturity of 6.22 per cent. The redemption amount is ¥13.5bn. Traders reported little interest among European investors, and Japanese investors are not allowed to buy the bonds directly for 180 days. The bonds were quoted at a one-point discount to the issue price compared with fees of 1 1/4 points.

Chase Manhattan (Asia) brought CITIC to the Hong Kong dollar market to raise HK\$300m, arguably the first Euro-Hong Kong dollar issue. Terms were set at a five-year life with a 9 1/4 per cent coupon and

99.90 issue price. The deal did not trade widely in Europe.

In the long-dated sterling market the World Bank is offering £100m worth of bonds dated 2010 on a yield margin of only 45 basis points above the benchmark gilt-edged stock. Treasury 13 1/4 per cent 2004-08. Baring will price the issue on Wednesday afternoon to give a price close to 87 1/4. The issue is partly paid and applications open on Thursday morning.

Margins have fallen steadily in the bulldog market and this is the finest spread to date. The changes in taxation of capital gains in the sterling markets have made bulldog issues more attractive, enabling borrowers to cut their borrowing costs.

In the Swiss franc bond market a SwFr 150m public issue for the European Investment Bank will have terms indicated today by SBC.

Bank Leu set terms for a SwFr 30m private placement for Nippon Metal at a five-year life with a 5 1/4 per cent coupon and 100 1/4 issue price.

Swiss franc foreign bonds were largely unchanged yesterday.

small rise of 2.8 per cent in costs was sufficient to turn the previous quarter's working profit of \$186,000 into a loss of \$654,000.

The amount of state aid claimed has risen from \$316,000 to \$1.12m, but this was not enough to prevent a fall in net profits from \$1.6m to \$1.3m.

The two big mines in the group both suffered from a sharp decline

in revenue from by-products, mainly uranium.

Blyvooruitzicht, which is approaching the end of its economic life as a gold mine, has ceased uranium production entirely and plans to satisfy all outstanding contracts from stockpiled material, while Harmony has closed one of its three plants and may need to cut output further to bring it into line with demand.

Rand Mines keeps operating costs down

BY GEORGE MILLING-STANLEY IN LONDON

THE RAND Mines group kept operating costs under control despite the impact of higher wages for white miners, according to a June quarterly report from the South African gold mines.

The East Rand Proprietary Mines (ERPM), which produced an outstanding performance, succeeded in reducing operating costs by 4.6 per cent in comparison with the first three months of the year. An in-

crease in gold production helped this marginal operation to reduce its working loss to \$3.6m (\$1.88m) from \$8.2m.

The claim for state assistance has accordingly been reduced from \$9.1m to \$6.8m, but ERPM still managed to increase its net profit from \$1.4m to \$3.5m.

In sharp contrast, Durban Roddepoort Deep, the group's other state-assisted mine, found that only a

NEW ISSUE

These Bonds having been sold, this announcement appears as a matter of record only.

JULY 1985

U.S. \$100,000,000

DFC Finance (Overseas) Limited

(Incorporated with limited liability under the laws of the Cayman Islands)

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Development Finance Corporation of New Zealand

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County Bank Limited

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Daiwa Europe Limited

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Morgan Stanley International

The Nikko Securities Co., (Europe) Ltd.

Nomura International Limited

Orion Royal Bank Limited

S. G. Warburg & Co. Ltd.

Westdeutsche Landesbank Girozentrale

Westpac Banking Corporation

Yamaichi International (Europe) Limited

New Issue

June 1985



Genossenschaftliche Zentralbank Aktiengesellschaft GZB — Vienna

(Incorporated in the Republic of Austria with limited liability)

A\$50,000,000
13 1/4% Bonds due 1992

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Berliner Handels- und Frankfurter Bank

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Dresdner Bank Aktiengesellschaft

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D G BANK Deutsche Genossenschaftsbank

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Bank Mees & Hope NV

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Baring Brothers & Co., Limited

Daiwa Europe Limited

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June, 1985



BANQUE SUDAMERIS

U.S.\$30,000,000 Floating Rate
Notes due 1987

For the six month period
15th July, 1985 to 15th January, 1986
the Notes will bear an
interest rate of 8 1/4% per annum.
Interest payable on 15th January, 1986.

Bankers Trust Company, London

THE NIPPON CREDIT BANK (CURACAO) FINANCE N.V.

U.S.\$50,000,000

Guaranteed Floating Rate Notes due 1986

Payment of the principal of, and interest on,
the Notes is unconditionally and irrevocably guaranteed byTHE NIPPON CREDIT BANK, LTD.
(Kabushiki Kaisha Nippon Saikou Shinyo Ginko)

In accordance with the provisions of the Reference Agency Agree-
ment between the Nippon Credit Bank (Curacao) Finance N.V. and
Citibank, N.A., dated July 1, 1979, notice is hereby given that the
Rate of Interest has been fixed at 8 1/4% p.a. and that the interest
payable on the relevant Interest Payment Date, January 16, 1986
against Coupon No. 13 will be U.S.\$42.17.

July 16, 1985, London
By: Citibank, N.A. (CSSI Dept), Agent Bank

CITIBANK

INTL. COMPANIES & FINANCE

KLSE plans one-month settlements to lift activity

BY WONG SULONG IN KUALA LUMPUR

THE KUALA LUMPUR Stock exchange, whose industrial index has plunged to a 30-month low, is expected to introduce a one-month settlements system next month to stimulate activity.

The move was adopted by the KLSE members at an extraordinary meeting over the weekend, and now awaits the approval of Mr Daim Zainuddin, the Finance Minister, before implementation.

Dr Daim is expected to approve the proposal since he is very concerned over the depressed stock market and has, over the past few months, taken several significant initiatives to revive the market without success.

The measures include asking banks to lend more money for share purchases, the injection of more liquidity into the system through a reduction of commercial banks' statutory

reserves and lowering of interest rates, and a ban on new public listings on the exchange.

The KLSE Industrial Index has fallen from 680 in February 1983 to 488 last week following domestic political and economic problems, including the Bank Bumiputra loan scandal in Hong Kong and the protracted power struggle within the Malaysian Chinese Association, the Chinese partner in the Government.

Mr Abdul Razak Sheikh Mahmood, the KLSE chairman, said details of the extended contract system would be issued once ministerial approval is given.

Under the system clients would be allowed to settle their share orders within 30 days instead of the present week, which, traders say, has actively depressed buying and speculative sentiment.

The KLSE has also decided

not to go ahead with the proposal to buy a 50m ringgit (U.S.\$20m) office building for its headquarters, which is presently located on rented premises.

However, a new company, KLSE Realty, has been incorporated to look into the need for a new headquarters building. Members of KLSE Realty will be the Stock Exchange, its member firms, and Scans Berhad, the KLSE computerised clearing house.

On the corporatisation of the Malaysian stock broking industry proposed by Mr Daim, Mr Abdul Razak said KLSE members have reached "an informal consensus" on the need to allow Malaysian merchant banks and international stockbrokers to take equity in local stock-broking firms, subject to certain safeguards. The KLSE has submitted its views to the Finance Ministry.

KLK to sell Batu Lintang subsidiary

By Our Kuala Lumpur Correspondent

KUALA LUMPUR, Kepong (KLK), Malaysia's fourth largest plantation group, has announced a restructuring scheme for its Batu Lintang subsidiary, under which it will buy up the plantation assets and sell the company to two units in the empire of Tan Sri Wee Boon Ping, a prominent businessman from the east Malaysian state of Sabah.

The announcement ends a months of speculation about Batu Lintang, the share price of which has risen from just over 5 ringgit to 8 ringgit this year despite a depressed Malaysian stock market.

Under the deal, KLK will sell 12.78m shares, representing 72 per cent of Batu Lintang, to Kim Chuan Seng Holdings and Kenanam Jaya for \$24.4m ringgit (\$3.9m).

At the same time, KLK will acquire assets comprising 5,570 hectares of estates, a palm oil mill and a rubber processing factory for 108m ringgit.

KLK said the Batu Lintang shares would be sold without the right to the 5.8 per cent tax-exempt dividend announced in May, or another dividend of 220 cents gross declared on Friday.

KLK said the deal will increase its own net tangible assets by 16.5 cents per share, and expand the group's plantation acreage.

Tan Sri Wee Boon Ping is attracted by Batu Lintang's publicly listed status. After the deal, he will own 24 per cent of the group's plantation assets, and will inject two properties into Batu Lintang for 58m ringgit.

Foreign investment fund for Bangkok

BY BOONSONG KTHANG IN BANGKOK

MERRILL LYNCH of the U.S. and Cazenove and Co, the British stockbroker, have jointly set up an investment fund, known as the Bangkok Fund, for foreigners to invest in Thailand's stock exchange. It is the first of its kind for Thailand.

According to the announcement made in Bangkok, the two foreign brokers are jointly underwriting redeemable pre-

ferred shares worth \$30m for Bangkok Investments, a company registered in the Cayman Islands that will operate the fund through its Singapore-based investment arm.

The Singapore company, First Overseas Bangkok Investments, was incorporated last November mainly to invest in a diversified portfolio of securities listed on the Securities Exchange of Thailand.

Bangkok First Investment and Trust, a Thai securities and investment concern closely associated with the Bangkok Bank, has been appointed as adviser for the fund.

The Thai brokerage community welcomed the establishment of the fund, which is seen as a potentially big boost for the Thai capital market, and as encouraging foreign investors' confidence in the kingdom.

Advance in interim profits for Kuwait Asia Bank

BY MARY FRINGS IN BAHRAIN

INTERIM RESULTS at Kuwait Asia Bank, a Bahrain OBU owned principally by Kuwait financial and public institutions, show profits after provisions for the six months to June of \$2.52m, an increase of 61 per cent on the comparable 1984 figure.

The balance sheet expanded by a modest 5 per cent over the 12-month period to \$570m, but loans shot up 34 per cent to \$243m, with almost the whole of the increase coming in 1984. A \$135m drop in time deposits with banks was substantially offset by a \$86m increase in marketable securities. Shareholders equity at June 30 stood at \$124m.

The bank is in the process of forming a holding company in New Zealand to take over its 49 per cent shareholding in Australasia Investment Company Limited. It will form a second holding company in Australia for its merchant bank, due to open shortly.

Hongkong Land in fresh talks on Excelsior Hotel

BY OUR FINANCIAL STAFF

HONGKONG LAND, the debt-laden property group, has aborted an agreement to sell the territory's Excelsior Hotel to unidentified overseas investors for a price believed to be in the region of HK\$350m.

The company said yesterday that instead it had begun negotiations with other potential purchasers, but declined to elaborate on reasons for the abandonment of the original deal.

Bankers in the territory had identified Kuo Oil of Singapore as the probable signatory of the initial agreement in principle to buy the 948-room hotel, reached on June 13.

They said Kuo had subsequently sought a funding package for the purchase from Standard Chartered and Wardley, two merchant banks operating in Hong Kong.

Hongkong Land is in the process of shedding what it regards as "non-core" assets in an attempt to reduce debt.

Eni International Bank Limited

ECU 135,000,000

Guaranteed Floating Rate Notes due 1992

Unconditionally and irrevocably guaranteed by

Ente Nazionale Idrocarburi

In accordance with the terms and conditions of the Notes, the rate of interest for the interest period July 16, 1985 to October 16, 1985 has been fixed at 9 1/4% per annum. Interest payable on October 16, 1985 will be ECU237.99 per Note of ECU10,000.

Agent

Morgan Guaranty Trust Company of New York

London Branch

This advertisement is not to be construed as a public offering in any province of Canada unless a prospectus relating thereto has been accepted for filing by a Securities Commission or similar authority in such province. The offering is made by the prospectus only, copies of which may be obtained from such of the undersigned and other dealers as may lawfully offer these securities.

Initial Public Offering

\$225,000,000

LONVEST CORPORATION

11,250,000 Common Shares

and

5,625,000 1985 Common Share Purchase Warrants

Offered in Units, each of which consists of one Common Share and one-half of a 1985 Common Share Purchase Warrant which will be immediately separable. Each whole Warrant will entitle the holder to purchase, on or prior to July 15, 1988, one Common Share of Lonvest Corporation for a price of \$23.50.

Price: \$20.00 per Unit

Dominion Securities Pittfield Limited

Wood Gundy Inc.

Nesbitt Thomson Bongard Inc.

Merrill Lynch Canada Inc.

Gordon Capital Corporation

McLeod Young Weir Limited

Midland Doherty Limited

Pemberton Houston Willoughby Incorporated

Andras, Hatch & Hetherington Limited

Geoffrinn, Leclerc Limited

McDermid St. Lawrence Limited

Burgess Graham Securities Limited

Mnss, Lawson & Co. Limited

Richardson Greenshields of Canada Limited

Walwyn Stodgell Cachran Murray Limited

Bache Securities Inc.

F. H. Deacon, Hodgson Inc.

Loewen, Ondaatje, McCutcheon & Company Limited

Odum Brown Limited

John Graham & Company Limited

Scotia Bond Company Limited

Transfer Agent and Registrar
ROYAL TRUST

June 1985

Burns Fry Limited

Levesque, Beaubien Inc.

Bell Gouninck Limited

Gardiner, Watson Limited

Osler, Wills, Bickie Limited

Malson Rousseau Inc.

Tasse & Associates, Limited

INTERNATIONAL COMPANIES and FINANCE

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 15.

U.S. DOLLAR	Issued	Bid	Offer	Change on day	Week	Yield
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2

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Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
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Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
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Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
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Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2
Amstar Corp 12 1/2	100	101 1/2	102 1/2	+0 1/2	+0 1/2	10 1/2

DAIWA EUROPE LIMITED

JAPANESE EQUITY WARRANTS SERVICE

ISSUER—Warrant	Current Market Price	Other Calculations
ISSUER—Warrant	Current Market Price	Other Calculations
ISSUER—Warrant	Current Market Price	Other Calculations
ISSUER—Warrant	Current Market Price	Other Calculations
ISSUER—Warrant	Current Market Price	Other Calculations
ISSUER—Warrant	Current Market Price	Other Calculations
ISSUER—Warrant	Current Market Price	Other Calculations
ISSUER—Warrant	Current Market Price	Other Calculations
ISSUER—Warrant	Current Market Price	Other Calculations
ISSUER—Warrant	Current Market Price	Other Calculations
ISSUER—Warrant	Current Market Price	Other Calculations

Reuters Monitor DAIWA G.M.B.H. Further information from Daiwa Europe Limited 14 St Paul's Churchyard London EC4A 3SD

U.S. \$30,000,000

ZENTRALSARKASSE
UND KOMMERZIALBANK-WIEN
(Founded as a savings institution by resolution of the City Council of Vienna)

Floating Rate Subordinated Notes Due 1991

In accordance with the provisions of the Notes, notice is hereby given that for the six month interest period from 15th July 1985 to 15th January 1986 the Notes will carry an interest rate of 8 1/2% per annum. The interest amount payable on the relevant Interest Payment Date which will be 15th January 1986 is U.S. \$20,333 for each Note of U.S. \$5,000.

Credit Suisse First Boston Limited
Agent Bank

Office of the Secretaries of the undermentioned companies in the United Kingdom, 40 Holborn Viaduct London EC1P 1AJ

HARMONY GOLD MINING COMPANY, LIMITED

ISSUED CAPITAL: R11,442,325 IN 26,844,650 SHARES OF 50 CENTS EACH

REPORT OF THE DIRECTORS FOR THE QUARTER ENDED 30TH JUNE 1985

OPERATING RESULTS

ALL PRODUCTION

Gold milled (oz) 2,116,000

Gold produced (oz) 2,116,000

Gold sold (oz) 2,116,000

Gold stock (oz) 2,116,000

Gold revenue (R) 2,116,000

Gold cost (R) 2,116,000

Gold profit (R) 2,116,000

Gold loss (R) 2,116,000

Gold total (R) 2,116,000

Gold net (R) 2,116,000

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Gold gross (R) 2,116,000

Gold net (R) 2,116,000

Base Rate Change

With effect from Tuesday, 16th July, 1985

Base Rate changes from 12.50% to 12.00% p.a.

Deposit rates will become:

Interest paid half-yearly

7 days notice 8.75%

1 months notice 9.50%

Top Tier £2,500+ (3 months notice) 12.00%

Cheque & Save—Cheque & Interest

£500-£2,499 10.00%

£2,500 and over 12.50%

Notional interest paid quarterly

CO-OPERATIVE BANK

Head Office: 1 Balloon St., Manchester M60 4EP

U.S. QUARTERLY RESULTS

ABBOTT LABORATORIES	Second quarter 1985	Second quarter 1984
Revenue	827m	801.4m
Net profit	75m	100.4m
Net profit per share	0.36	0.83
Six months	1,580m	1,520m
Revenue	2,172m	2,180m
Net profit	1.81	1.56
Net profit per share	1.81	1.56
BURLINGTON NORTHERN	Second quarter 1985	Second quarter 1984
Revenue	2,009m	2,240m
Net profit	150.4m	153.6m
Net profit per share	1.92	1.80
Six months	4,405m	4,550m
Revenue	5,918m	5,942m
Net profit	3.77	3.70
Net profit per share	3.77	3.70
CALY INDUSTRIES	Second quarter 1985	Second quarter 1984
Revenue	470.3m	505.8m
Net profit	65.8m	37.3m
Net profit per share	2.30	1.61
Six months	944.6m	965.7m
Revenue	1,277m	1,277m
Net profit	77.8m	69.8m
Net profit per share	3.00	2.85
OWENS-ILLINOIS	Second quarter 1985	Second quarter 1984
Revenue	983.1m	906.5m
Net profit	45.4m	40.8m
Net profit per share	1.52	1.45
Six months	1,810m	1,730m
Revenue	2,410m	2,210m
Net profit	65.6m	59.6m
Net profit per share	2.25	2.12

Rand Mines Group

All companies are Members of the Barlow Rand Group

Gold Mining Company Reports

for the Quarter ended 30th June, 1985

(All Companies incorporated in the Republic of South Africa)

Office of the Secretaries of the undermentioned companies in the United Kingdom, 40 Holborn Viaduct London EC1P 1AJ

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UK COMPANY NEWS

Triplex checked by building side

A DOWNTURN from \$900,000 to \$294,000 in the building components sector of Triplex, more than offset improvements made in the foundries and engineering divisions and left the taxable figure for the year ended March 31 1985 behind at \$520,000, against \$776,000.

Mr Lewis Robertson, chairman, reporting on the "second full year of strenuous recovery," says the year's result, although lower, was a "solid profit" but it did not do justice to a further year of substantial improvement and progress.

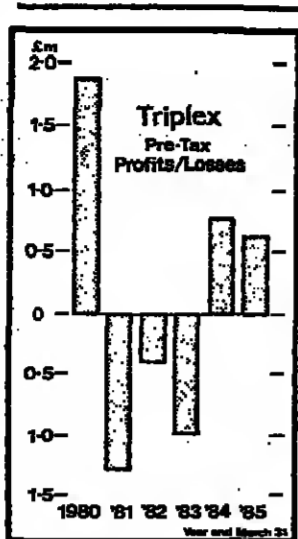
In the 1985-86 year, including redundancy costs of \$417,000, the group suffered a pre-tax loss of \$932,000.

The foundries sector rose from \$231,000 to \$471,000 for the year, while the engineering side rose by almost 125 per cent to \$597,000 (\$195,000), and the directors candidly expect further improvements in the current year.

Borrowings were reduced to \$4.2m at the year end (\$5.1m),

they were at their peak in 1983 at virtually \$7m, while shareholders' funds stood at \$3.1m (\$4.4m). Gearing improved, and there is further benefit to come, while the engineering companies have been streamlined and are beginning to show the benefits.

Building components sector faced considerable difficulties during the year, but is responding well to positive management action, the chairman states.



Mr Lewis Robertson, chairman of Triplex

major operational problems of the group have now been tackled. The foundry operations have been transformed, and there is further benefit to come, while the engineering companies have been streamlined and are beginning to show the benefits.

Building components sector faced considerable difficulties during the year, but is responding well to positive management action, the chairman states.

Mr Robertson explains that the high operating figure of the previous year reflected a combination of favourable circumstances. The adverse swing this time was a consequence in part of the reversal of those same circumstances, compounded by VAT changes.

External sales dipped from \$28.17m to \$26.71m with the cost of sales taking \$21.02m (\$21.65m). Gross profit of

\$5.69m (\$6.52m) was subject to distribution costs of \$1.58m (\$1.59m) and administrative expenses, \$2.91m (\$3.5m), and the pre-tax figure was after lower interest charges of \$582,000 against \$649,000.

comment

Triplex may have come back from the dead, but it is not yet fighting fit, as these figures demonstrate. The collapse in profits from the building components division was due in part to changes in VAT and to a general shortage of large contracts which were beyond the company's control; however, the extent of the damage was disproportionate and does not inspire much confidence for the future. Conditions in the double glazing market are expected to remain tough this year, and despite a pick up in the order book at Hinchliffe the division will not make as much as it did in 1983.

Improvements further, small as they are, will be needed in the new lean foundries division and from the remaining engineering companies. Gearing should continue to fall by a further 20 per cent or more this year, having a rights issue or the acquisition that the company hints could be up its sleeve. After a lower interest charge, pre-tax profits may be \$1.1m, which, with no tax payable, would make for a p/e of 10, with the shares at 36p. That is not too demanding by anyone's standards.

Substantial margins increase at Sekers

SIGNIFICANT improvements in gross margins have contributed to a healthy increase in 1984-85 profits at Sekers International, maker of furnishing and upholstery fabrics.

While turnover rose by 19 per cent to \$15.25m (\$13.35m), operating profits for the year to March 31 were up by 76 per cent from \$1.08m to \$1.92m. After interest charges of \$588,000, against \$534,000, pre-tax figures came through 144 per cent higher at \$1.33m, against \$545,000. The directors say the results represent further evidence that the expensive and painful changes which have been effected in recent years are now bearing fruit.

With stated net earnings per 10p share ahead from 5.05p to 5.89p, the final dividend is raised to 1.40p net for a total payment up from 1.25p to 2p per share. Tax took \$463,000 (\$52,000) giving an attributable balance of \$865,000 against \$183,000 which was after an extraordinary charge of \$300,000 for redundancy and reorganisation costs. Net assets per share showed an increase from 44.4p to 58.25p at the year end.

All the manufacturing companies within the group are operating with full order books, and the worldwide demand for its products remains high. The group's turnover is derived not only from its traditional markets, but from the establishment and consolidation of new markets—these markets are both in the UK and increasingly overseas.

The silk menswear companies continued their sales growth, both in the home market and overseas. The development of new export markets has been a major feature in this growth.

Yorkgreen holders asked to accept bid

The independent directors of Yorkgreen Investments, the industrial holding company yesterday called on its remaining shareholders to accept the offer from Talbot, another holding company, which has already gone unconditional.

The Yorkgreen directors, who together hold 8.7 per cent of Yorkgreen shares, said they had accepted the offer and they added it was not in other shareholders' interests to remain as minority shareholders. Yorkgreen has 12, which share a common chairman in Mr David Green.

Tace expanding in U.S. with £7m acquisition

BY RICHARD TOMKINS

TACE, a manufacturer of metal detection and precision measuring equipment, is to buy Anderson Instruments, a leading U.S. maker of air pollution monitoring equipment, for \$9.52m (\$8.9m). The acquisition will be partly financed through a one-for-nine rights issue.

At the same time Tace reports a pre-tax profit of \$1.33m in the six months to March 31 against \$1.02m last time.

Earnings per share fell to 7.7p (8.1p) following a sharply higher tax charge of \$563,000 (\$321,000). The increase is caused by an exceptional tax credit of \$188,000 in 1984. Minorities also rose to \$249,000 (\$161,000).

Anderson's operating profit in the year to January 31, after interest but before expense items and tax, was \$2.53m. This was before charging \$400,000 for the amortisation of intangible fixed assets of businesses previously acquired.

The three months ending April 30 showed a net profit of \$570,000 before charging \$11.00m amortisation. Anderson's net assets at the end of April were \$2.2m.

Tace say its 1984 earnings would have increased by more than 50 per cent calculated on a pro-forma basis incorporating Anderson's results for the year to January 31, taking account of the proposed methods of funding.

The acquisition is to be financed through a £5m seven-year term loan, the sale of a 10

per cent stake in Goring Kerr, a Tace subsidiary, for \$3.2m, and through a one-for-nine rights issue at 425p a share which will raise \$2.9m after expenses. Tace's sale of 600,000 shares in Goring Kerr will reduce its stake in the company from 62.5 per cent to 52.5 per cent. Goring Kerr is a listed company which was floated off by Tace two years ago. Last week it announced an increase in first half pre-tax profits to \$1.25m (\$943,000).

Anderson supplies air pollution monitoring and sampling equipment to government and industry in the U.S. It also exports 20 per cent of its products. Tace says Anderson is a progressive organisation with an excellent range of products in an area of increasing international concern, and the acquisition will strengthen the group considerably.

comment

Tace's acquisition of Anderson will mark the group's metamorphosis from a two-lagged animal into a pretty healthy, looking three-legged one. The Goring Kerr metal detecting subsidiary is developing extremely well; it has just come up with two potentially money-spinning detectors, one of which enables metal to be found within products wrapped in foil and another which can trace metallic contaminants. The group's wholly-owned subsidiary

aries, which constitute the second leg, include some fairly unexciting activities such as the manufacture of horticultural equipment, but there are sparklers here too: Metro Weighing Systems has been formed to combine the activities of Tace Industrial and Metro-Weighing to offer a more comprehensive range of weighing and packaging systems, and British Indicators' range of electronic digital measuring instruments has been extended with a new model which can measure down to one ten thousandth of an inch. The development of these subsidiaries is responsible for a slightly disappointing result: some forecasters had expected something nearer \$1.5m but the write-off on development costs has dampened the interim figure. The new acquisition blends excellently with Tace's existing interests, and particularly with Goring Kerr: both are in the pollution control business and the synergy resulting from the takeover will enhance their prospects for growth to what is in any case an expanding market. The benefits of these developments, however, will not be quick to come through: even with the addition of Anderson's profits to the figures, the final figure this year is unlikely to exceed \$3.7m. With the shares down 30p yesterday at 47.5p, the prospective p/e ratio is 25 after a 40 per cent tax charge.

Ratners continues recovery with £2m

IN A busy year which witnessed the acquisition of Terry's (Jewellers) and the disposal of the ophthalmic opticians business, the Ratners (Jewellers) group has continued the recovery started in 1983-84.

For the year ended April 6, 1985 turnover had risen from \$27.6m to \$32.2m, and the pre-tax profit was doubled to \$2.14m. The year before the group was in loss.

And as to the current year, the directors look forward with optimism to a satisfactory outcome, given the present level of business and trading prospects.

Mr Gerald Ratner, managing director and chief executive, says the new merchandising and marketing strategies introduced in the second half of last year have benefited the trading performance significantly in the current year. And plans are to

open a further 20 Terry's branches before Christmas, which will increase the group's total number of outlets to 180.

The full purchase consideration for Terry's (which retails popular priced jewellery) has been paid as its performance was up to expectations for 1984-85. Ratners continues to share in the fortunes of the opticians business through concession agreements.

After tax \$805,000 (\$307,000) the net profit for 1984-85 came out at \$1.33m (\$76,000). This equaled earnings of 4.44p (2.56p) per share, and members receive a final dividend of 1.83p to lift the total from 2.3p to 2.5p, costing \$762,000 (\$685,000).

comment

Ratners' new managing director is acting out the textbook example of how to turn round a loss-making retailer, and the results after a slight disappointment at the interim stage are now coming through as the theory would suggest. The policy has been to close down fringe

activities, by getting rid of the Dutch operation, cutting back on manufacturing and selling the opticians business; to change the product lines in favour of a sharper, more fashionable and cheaper ranges and to expand according to the parallel expansion formula by opening new branches of Terry's. There is still a good deal more to be gained from this new direction. Sales are now a quarter higher than this time last year and with overheads fixed, much of that should fall through to the bottom line.

Stock is being turned over faster, so that despite the payment made for Terry's, group borrowings are lower than last year. The plan is now to become the largest jeweller in the country, and if Ratners can make \$3.5m this year, the gap between it and the group's nearest rival, the jeweller, will start narrowing dramatically. On that forecast, and after a 37 per cent tax charge, the shares at 80p are on an earnings multiple of 12, which seems only by sparkling retail standards.

CLARKE NICKOLLS AND COOMBS is selling Tom Smith, Christmas cracker and novelty maker, to Hovells for £1.1m cash. For 1984 Smith incurred pre-tax losses of \$67,000 with tangible assets at the year end of \$1.98m. Clarke and Rowntree Mackintosh each own 50 per cent of Smith.

SECURIGUARD is paying an extra £250,000 on the acquisition, announced last February, of Consolidated Safeguards. Initial consideration was \$1.75m subject to an adjustment up to a maximum of £2m on pre-tax profit performance. Audit for the year ended December 27, 1984, has been completed and the second and final payment has fallen due, which will be satisfied by shares.

COMPANY NEWS IN BRIEF

AE is to submit to the holders of the outstanding \$4.5m of 11 per cent debenture stock 1981-96, a proposal for the early redemption of the stock at par. In addition, AE intends to redeem at par, the £1,973,322 of 8 per cent debenture stock 1980-85 and the £108,562 of 7 per cent debenture stock 1980-85 currently outstanding. The other stocks, which are otherwise due for final redemption on September 30, 1985, will be redeemed simultaneously with the 11 per cent stock.

MY DART has acquired Duffin Containers (Holdings), corrugated board packaging maker, for \$320,000 cash. Net assets of Duffin amounted to some £250,000.

GR HOLDINGS is making a tender offer for up to 850,000 of its shares at a maximum of 27p per share. The tender opens July 15 and closes at 3.30 pm on July 27. It is not the directors' current intention that within the next 12 months the company should stand in the market for any particular period or until any specified number of shares has been acquired.

GEORGE DEW has an unchanged interim dividend of 2.5p despite boosting taxable profits from £10,000 to \$473,000 for the half year ended April 23, 1985. Turnover of this civil engineer improved slightly from \$15.8m to \$16.24m, but with a low order book the directors feel that turnover for the 12 months will show a reduction. Earnings per share at midyear expanded from 1.3p to 4.5p after tax of \$116,000 (\$93,000 credit).

SELINCOURT and its advisers have held discussions with the board and advisers of Stormard, with a view to ensuring an orderly transfer of control to Stormard, so as to safeguard interests of shareholders, the business and employees. This follows Stormard's announcement that its offer for Selincourt are wholly unconditional.

CONSULTANTS (Computer & Financial) has acquired the New York based banking software specialist Ultimate Data Systems (UDSL). Costs will be satisfied by the issue of shares in CCF, the number of which will depend on UDSL's performance. Based on projected pre-tax profits for the two years ending June 30 1987 of \$225,000, consideration will amount to 120,000 CCF shares.

DDT Group and CPU Computers have reached agreement for DDT to acquire from CPU and its wholly-owned subsidiary LSI Computer Ancillaries the whole of the share capital of Haradash, which has been specifically formed for this transaction. Haradash has acquired the business of LSI's systems maintenance operation. The consideration is about \$2m, to be satisfied by 1.48m new ordinary 5p shares in DDT, to be placed at 135p each.

SECURITY INDUSTRY

is proposing to publish a survey on the

on Tuesday 10th September, 1985

Advertising copy date for this survey is

Tuesday 21st August 1985

The survey will cover the rapid growth of the Security Industry over recent years as the need to increase the protection of property has grown including:

- Electronic Alarms
- Equipment
- Locks, Safes and Vaults
- Patrolling, Guarding and Key Holding
- Cash in Transit
- Security Consultancies
- Security Printing
- The Insurance Industry
- Computer Fraud

For a full editorial synopsis plus details of advertising rates, contact:

William Clutterbuck, Advertising Department
Financial Times, 10 Cannon Street, London EC4A 3DF
Telephone: 01-248 8000 Ext 4148

The content, size and publication dates of surveys in the Financial Times are subject to change at the discretion of the Editor

The Hongkong & Kowloon Wharf & Godown Company, Limited

Group Results For The Financial Year Ended 31st March, 1985

● The Group successfully acquired Wheelock Marden and Company Limited at a cost of approximately HK\$2.5 billion which has been financed partly from internal resources and partly from available banking facilities. It is anticipated that the Group will be able to pay off these bank borrowings in full from internally generated revenue in about 3 years time.

● The Group profit attributable to shareholders after tax and before extraordinary items amounted to HK\$498.4 million, compared with HK\$428.9 million on an annualised basis for the previous year, an increase of 16.2 per cent.

● Earnings per share improved by 16.3 per cent from 27.5 cents on an annualised basis in the previous year to 32.0 cents per share. Extraordinary earnings amounted to HK\$6.7 million.

● A final dividend of 14.0 cents per share is proposed which will result in a total dividend of 21.0 cents per share for the year. If approved, the final dividend will be paid on 24th September, 1985.

● Substantial property holdings and cash funds (over HK\$1,800 million) of the

Wheelock Marden group further strengthen the group as one of the leading property companies in Hong Kong.

● At the present time, Harbour City/Ocean complexes' office accommodation, retail space and residential accommodation are 98 per cent, 92 per cent and 99 per cent let respectively.

● Ocean Terminal was promoted during the year as an ideally located exhibition venue and six major exhibitions have already been contracted for 1985 with others being negotiated.

● All divisions of the Group posted increased returns during the financial year as the downturn in the property market and political uncertainty subsided with a notable increase in economic activities in Hong Kong.

● Whilst the favourable prospects for the Group's property portfolio and activities in the various sectors will further enhance the considerable recurrent earning base, the vast liquid funds currently under management will place the Group in an excellent position to continue to seek attractive investment opportunities both in Hong Kong and overseas.

Summary of Results	Twelve months ended		Fifteen months ended	
	31st March 1985	HK\$M	31st March 1984	HK\$M
Group profit before taxation	592.0		637.0	
Taxation	51.4		53.0	
Group profit after taxation	540.6		584.0	
Minority interests	42.2		47.9	
Group profit before extraordinary items	498.4		536.1	
Extraordinary items	6.7		242.2	
Group profit after extraordinary items	505.1		778.3	
Earnings per share, before extraordinary items	32.0 cents		34.4 cents	
			(Equivalent to 27.5 cents on an annualised basis)	
Dividends per share	21.0 cents		22.4 cents	
			(Equivalent to 17.9 cents on an annualised basis)	

The Ordinary General Meeting of Members of the Company is convened for Monday, 16th September, 1985 at 12.00 noon.

The Register of Members of the Company will be closed from 9th September, 1985 to 16th September, 1985, both days inclusive.

Hong Kong, 10th July, 1985.

NOTICE OF REDEMPTION

To the Holders of

General Motors Overseas Finance N.V.

8 3/4 % Guaranteed Debentures Due 1986

NOTICE IS HEREBY GIVEN to the holders of the outstanding 8 3/4 % Guaranteed Debentures Due 1986 of General Motors Overseas Finance N.V. (the "Company") that, pursuant to the provisions of Article Three of the Indenture dated as of August 15, 1971 between the Company and Morgan Guaranty Trust Company of New York (the "Trustee") and the form of said Debentures, the Company intends to redeem on August 15, 1985 all of its outstanding Debentures at a redemption price equal to 100% of the principal amount thereof. Payments will be made on and after August 15, 1985 against presentation and surrender of Debentures with coupons due August 15, 1985 attached in U.S. dollars, subject to applicable laws and regulations, either (a) at the office of the Trustee in New York City, or (b) at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, London, Paris, and Zurich, the main offices of Credito Romagnolo S.p.A. in Milan and Rome, the main office of Bank Mees & Roper N.V. in Amsterdam, and the main office of Banque Generale de Luxembourg S.A. in Luxembourg. Payments at the office referred to in (b) above will be made by a dollar check drawn on a dollar account, or by transfer to a dollar account maintained by the payee, with a New York City bank.

Debentures surrendered for payment should have attached all unattached coupons pertaining thereto. Coupons due August 15, 1985 should be detached and collected in the usual manner. From and after August 15, 1985 the Debentures will no longer be outstanding and interest thereon shall cease to accrue.

Any payment made within the United States, including a payment made by transfer to an account maintained by the payee with a bank in the United States or by a dollar check drawn on a bank account in the United States, may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-9, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9 certifying under penalties of perjury that the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to a penalty of \$50. Please therefore provide the appropriate certification when presenting your securities for payment.

GENERAL MOTORS OVERSEAS FINANCE N.V.

By: Morgan Guaranty Trust Company of New York, Trustee

Dated: July 9, 1985

This Advertisement includes information given in compliance with the Regulations of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland ("The Stock Exchange") for the purposes of giving information to the public with regard to the International Bank for Reconstruction and Development (the "Bank") and the Stock.

To the best of the knowledge and belief of the Bank (which has taken all reasonable care to ensure that such is the case) the information contained herein is in accordance with the facts and does not omit anything likely to affect the import of such information. The Bank accepts responsibility accordingly.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Issue on a yield basis of £100,000,000 LOAN STOCK 2010

payable as to £30 per cent. on application and as to the balance by January 24, 1986
with interest payable half yearly on March 24 and September 24 with the first such payment on March 24, 1986

County Bank Limited
Samuel Montagu & Co. Limited

Hambros Bank Limited
Morgan Grenfell & Co. Limited

Baring Brothers & Co., Limited
Hill Samuel & Co. Limited
N. M. Rothschild & Sons Limited

Kleinwort, Benson Limited
J. Henry Schroder Wagg & Co. Limited

Lazard Brothers & Co., Limited
S. G. Warburg & Co. Ltd.

Application has been made to the Council of The Stock Exchange for the £100,000,000 Loan Stock 2010 (the "Stock") to be admitted to the Official List for quotation in the Gilt-edged market.

The Stock will be available either in registered form, transferable in multiples of one penny or, at the option of the holder, in bearer form, represented by Bearer Bonds which will be available in denominations of £5,000 only. Stock in registered form may be exchanged for Bearer Bonds and vice versa at any time after February 14, 1986. Renounceable allotment letters (early paid) in respect of the Stock will be despatched on July 24, 1985 subject to clearance of applicants' remittances and allotments. Stock Certificates in respect of Stock in registered form and Bearer Bonds in respect of Stock in bearer form will be despatched on February 14, 1986 provided that the balance of the moneys payable has been duly paid.

No person is authorized to give any information or to make any representation not contained herein or in the Extra Card dated March 14, 1985 giving information relating to the Bank (or any abridgement thereof or thereof authorized by the Bank) and any information or representation not contained herein or therein must not be relied upon as having been authorized by the Bank or by any of the Managers named above. This does not constitute an offer to sell or solicitation of an offer to buy the Stock in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

The application list will open at 10.00 a.m. on Thursday July 18, 1985 and will close later the same day.

INFORMATION RELATING TO THE ISSUE

Determination of Issue Yield, Rate of Interest and Issue Price

The Stock will have attached such rate of interest and be issued at such price as will result in the Stock having a Gross Redemption Yield equal to the Issue Yield as determined on the basis described below.

The Issue Yield shall mean the sum of 0.45 per cent. and the Gross Redemption Yield, rounded to three decimal places (0.005 being rounded upwards), on 13½ per cent. Treasury Stock 2004-2008 (the Reference Stock) calculated by reference to the price of the Reference Stock on The Stock Exchange, London at 3.00 p.m. on Wednesday July 17, 1985, such price to be determined by Baring Brothers & Co., Limited ("Barings") as being the arithmetic mean of the bid and offered prices quoted on a dealing basis for settlement on the following business day by three jobbers in the Gilt-edged market. The Gross Redemption Yield on the Reference Stock will be expressed as a percentage and will be calculated on the basis set out in the *Journal of the Institute of Actuaries*, Vol. 105, Part 1, 1978, page 18.

The rate of interest attaching to the Stock will be an integral multiple of one eighth of one per cent. and will be consistent with an issue price as near as possible to but not less than 87.50 per cent. The issue price will be expressed as a percentage rounded to three decimal places (0.005 being rounded upwards).

It is intended that notice of the Issue Yield, rate of interest, issue price and the amount of the first interest payment will be published in the *Financial Times* on Thursday July 18, 1985.

Underwriting Arrangements

By an Underwriting Agreement dated July 15, 1985, Baring Brothers & Co., Limited, 8 Bishopsgate, London EC2N 4AE, County Bank Limited, 11 Old Broad Street, London EC2N 1BB, Hambros Bank Limited, 41 Bishopsgate, London EC2P 2AA, Hill Samuel & Co. Limited, 100 Wood Street, London EC2P 2AJ, Kleinwort, Benson Limited, 20 Fenchurch Street, London EC3P 3DB, Lazard Brothers & Co., Limited, 21 Moorfields, London EC2P 2HT, Samuel Montagu & Co. Limited, 114 Old Broad Street, London EC2P 2HY, Morgan Grenfell & Co. Limited, 23 Great Winchester Street, London EC2P 2AX, N. M. Rothschild & Sons Limited, New Court, St. Swithin's Lane, London EC4P 4DU, J. Henry Schroder Wagg & Co. Limited, 120 Chancery Lane, London EC2M 4DS and S. G. Warburg & Co. Ltd., 33 King William Street, London EC4R 9AS (the "Managers") have agreed with the Bank to underwrite the issue of the Stock.

Barings, on behalf of the Managers, and the Bank may agree in certain circumstances to terminate the Underwriting Agreement, which is subject to certain conditions and accordingly, if they so agree or the Underwriting Agreement does not become unconditional, applications for the Stock will become void or, as the case may be, no applications for Stock will be accepted.

Terms of Payment in Respect of Applications

Each application, unless made by a recognized bank or stockbroker taking advantage of the alternative method of payment described below, must be accompanied by a cheque payable to Baring Brothers & Co., Limited and crossed "IBRD Loan", representing payment at the rate of £30 per cent. of the nominal amount of the Stock applied for. Such cheques must be drawn on a branch in the United Kingdom (including Northern Ireland), the Channel Islands or the Isle of Man of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques to be cleared through the facilities provided for the members of those Clearing Houses.

An alternative method of payment by a recognized bank or stockbroker taking advantage of the alternative method of payment described below, must be accompanied by a cheque payable to Baring Brothers & Co., Limited and crossed "IBRD Loan", representing payment at the rate of £30 per cent. of the nominal amount of the Stock applied for. Such cheques must be drawn on a branch in the United Kingdom (including Northern Ireland), the Channel Islands or the Isle of Man of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques to be cleared through the facilities provided for the members of those Clearing Houses.

Barings, on behalf of the Managers, reserves the right to retain the relevant allotment letters and surplus application moneys (if any) pending clearance of applicants' remittances and allotment.

The balance of the amount payable on the Stock allotted must be paid so as to clear by 12 noon on January 24, 1986. Any amount paid in advance of its due date shall not bear interest.

Failure to pay the balance on any Stock when due will render all amounts previously paid liable to forfeiture and the allotment liable to cancellation. Interest at the rate per annum of 4 per cent. above the base rate for the time being of Barings may be charged on such balance if accepted after its due date. The Bank further reserves the right, without prejudice to any other rights in default of payment, to sell any such Stock fully paid for its own account.

The expression "recognized bank or stockbroker" shall mean any organization which is a recognized bank for the purposes of the Banking Act 1979 and any firm of stockbrokers which is a member of The Stock Exchange and such other banks or brokers as Barings shall at their absolute discretion agree for the purposes of the issue.

Delivery

Renounceable allotment letters (early paid) in respect of Stock allotted will be despatched on July 24, 1985 by first class post at the risk of the person submitting the application in accordance with the instructions stated on the Application Form.

Allotment letters may be split up to 3.00 p.m. on January 22, 1986 in accordance with the instructions contained therein into denominations of integral multiples of £100 nominal amount of Stock. Renounceable allotment letters, once renounced, become bearer documents and are transferable by delivery.

Unless a duly renounced fully paid allotment letter with the registration application form duly completed, or a fully paid allotment letter containing an election to receive Bearer Bonds is received by Barings on or before January 24, 1986, the Stock represented by such allotment letter will be registered in the name of the original allottee and thereafter Stock in registered form will be transferable only by instrument of transfer.

Allotment letters will provide for holders of Stock to elect to take delivery of Stock in bearer rather than registered form. Stock in bearer form will be represented by Bearer Bonds which will be available in denominations of £5,000 only.

Each holder of Stock who elects in the allotment letter to receive Bearer Bonds may receive them in any of the following ways:—

- by collection from the offices of Barings, 8 Bishopsgate, London EC2N 4AE;
- by post at the risk of the applicant;
- by delivery at the risk of the applicant to an existing account with Euro-clear Clearance System Limited or Cedit S.A.

Bearer Bonds will be available for delivery and Stock Certificates will be despatched on February 14, 1986 after which date allotment letters will cease to be valid for any purpose.

TERMS AND CONDITIONS OF THE STOCK

The issue of the Stock has been authorized by a Resolution of the Executive Directors of the Bank passed on July 9, 1985 and will be constituted by an Instrument to be dated July 24, 1985 (the "Instrument"), executed by the Bank and deposited with Barings.

The Stock is not an obligation of any Government.

The following is a summary of the terms and conditions relating to the Stock:

Status

The Stock will represent a direct, unconditional and general obligation of the Bank for the due and punctual payment of principal and interest in respect of the Stock and for the performance of all obligations of the Bank with respect thereto. The Stock will be unsecured and will rank *pari passu* with all bonds, notes and other evidences of indebtedness issued, assumed or guaranteed by the Bank.

Negative Pledge

As long as any of the Stock shall be outstanding and unpaid, the Bank will not cause or permit to be created on any of its property or assets any mortgage, pledge or other lien or charge or security for any bonds, notes or other evidences of indebtedness hereafter or hereafter issued, assumed or guaranteed by the Bank for money borrowed (other than purchase money mortgages, pledges or liens on property purchased by the Bank as security for all or part of the purchase price thereof), unless the Stock shall be secured by such mortgage, pledge or other lien or charge equally and rateably with such bonds, notes or other evidences of indebtedness.

Interest

The Stock will bear interest from July 24, 1985 at a rate per annum to be determined in accordance with "Determination of Issue Yield, Rate of Interest and Issue Price" above. Interest will be payable by equal half yearly instalments on March 24 and September 24 ("Interest Payment Dates") in each year except that the first payment of interest on March 24, 1986 will be calculated using the following formula:—

$$I = R \times 184/365 \times 20 + R \times 59/365$$

where R is the rate of interest attaching to the Stock (expressed as a percentage), p is the issue price and I (expressed in pounds and rounded to three decimal places) is the first interest payment per £100 nominal amount of the Stock.

Interest will cease to accrue on the Stock on the date for redemption thereof unless payment of principal is improperly withheld or refused by the Bank.

Form

The Stock will be issued in registered form ("Registered Stock") or, if election is duly made as provided in the renounceable allotment letters, in bearer form ("Bearer Bonds"). Subject as

hereinafter provided, Registered Stock may be exchanged in nominal amounts of £5,000 or integral multiples thereof for Bearer Bonds, and Bearer Bonds may be exchanged for Registered Stock. Bearer Bonds will be available in the denomination of £5,000 each, and each Bearer Bond will have attached on issue an interest coupon (a "Coupon") in respect of each Interest Payment Date for which the Record Date (as defined in "Payments" below) is on or after the date of issue of such Bearer Bond.

Applications for such exchanges may be made at any time on or after February 14, 1986 on exchange forms available at the specified offices of the Registrar and the Paying Agents referred to below. Exchanges will only be made on payment by holders of the Stock of such costs and expenses as may be incurred in connection therewith, initially 20 pence per £5,000 nominal of Stock (subject to a minimum charge of £5) plus, where applicable, value added tax.

Any application to exchange Bearer Bonds for Registered Stock must have attached thereto each Bearer Bond to which such application relates, together with all Coupons appertaining thereto which mature after the Record Date next following the date of such application. Any application to exchange Registered Stock for Bearer Bonds must have attached thereto the Stock Certificate(s) to which such application relates. A balance Stock Certificate will be issued in respect of any Registered Stock in excess of the amount to be exchanged for Bearer Bonds.

Exchanges may only be effected by lodging Bearer Bonds and Coupons as described above or, as the case may be, Stock Certificates, at the specified office of the Principal Paying Agent, accompanied by a duly completed and executed irrevocable exchange form and by complying with any applicable fiscal or other laws or regulations and with normal banking practice. The initial Principal Paying Agent is Baring Brothers & Co., Limited and its specified office is at 8 Bishopsgate, London EC2N 4AE.

Bearer Bonds issued in exchange for Registered Stock will be available, together with any balance Stock Certificate, for delivery at the specified office of the Principal Paying Agent, and Stock Certificates in respect of Registered Stock issued in exchange for Bearer Bonds will be despatched (at the risk of the persons entitled thereto) in each case within three business days of receipt by the Principal Paying Agent of the relevant exchange form duly completed and executed and accompanied by the relevant Bearer Bonds and Coupons or, as the case may be, Stock Certificates.

Registered Stock and Bearer Bonds will be serially numbered.

Transfer

The Register and Transfer Office for Registered Stock will be at the specified office of the Registrar, The City of London, 100 Wood Street, London EC2P 2AJ, and its specified office is at 8 Bishopsgate, London EC2N 4AE. The Bank may, in its absolute discretion, terminate the appointment of the Registrar, provided that no termination shall take effect until a new Registrar having a specified office in Great Britain has been appointed. Notice of any changes in the Registrar and/or the specified office of the Registrar will be given to Stockholders. The Registered Stock will be transferable in multiples of one penny by an instrument in writing as if the Stock were a security to which section 1 of the Stock Transfer Act 1963 of Great Britain and The Stock Exchange (Completion of Bargains) Act 1976 of Great Britain, and any statutory modifications or re-enactments thereof, applied.

The Bearer Bonds will be transferable by delivery.

Redemption and Purchases

Redemption—Unless previously redeemed pursuant to "Events of Default" below or purchased and cancelled, the Bank shall redeem the Stock at its principal amount on September 24, 2010.

Purchases—The Bank may at any time purchase Stock on any recognized stock exchange or by tender (available to all holders of Stock alike) or by private treaty. Whilst the Stock is listed on The Stock Exchange, London, purchases by the Bank on The Stock Exchange, London will be at a price (exclusive of expenses not exceeding the purchase price) not exceeding the average of the market quotations taken from The Stock Exchange Official List for the 10 dealing days before the purchase is made or at the market price, provided that it is not more than 5 per cent. above such average. In all other cases, purchases will be at a price (exclusive of expenses and accrued interest) not exceeding 120 per cent. of the middle market quotation of the Stock on The Stock Exchange, London (or, failing such quotation, the average of the market quotations of the Stock on such other stock exchange as the Bank may in its absolute discretion select) at the close of business on the last dealing day before the date of purchase. Save as aforesaid the Bank may not purchase any Stock. The Bank will be entitled in hold and deal with Stock so purchased which may be cancelled or not as the Bank thinks fit.

Payments

In the case of Registered Stock, payments of principal and interest will be made in pounds sterling by warrant drawn on a Town Clearing Branch of the Bank in the City of London which will be sent at the holders' risk by post to persons who are registered as holders of Stock at the close of business on the relevant Record Date or to their nominated agents and made payable to such holders or as they may direct. In the case of joint holders, the warrant will be sent to the first-named unless instructions to the contrary are given in writing. The "Record Date" shall mean the thirtieth day before an Interest Payment Date but should such day fall on a day on which the specified office of the Principal Paying Agent and Registrar is not open for business then the Record Date shall mean the first day thereafter on which such specified office is open for business.

In the case of Bearer Bonds, payments of principal will only be made against surrender of the Bearer Bonds and, subject as mentioned below, payments of interest will only be made against surrender of Coupons at the specified office of any Paying Agent by a cheque in pounds sterling drawn on, or by transfer to an account maintained by the payee with, a bank in London, subject in each case to any laws or regulations applicable thereto. However, no Paying Agent in the United Kingdom shall, unless the Bank notifies holders of Stock to the contrary in accordance with "Notices" below, make any payment of interest against presentation of Coupons.

Bearer Bonds should be surrendered for redemption together with all unmatured Coupons, failing which the face value of any unmatured Coupon (or, in the case of partial payment in respect of any Bearer Bond being made, the proportion of such face value which the amount of the partial payment bears to the principal amount of the Bearer Bond) will be deducted from the principal sum due for payment. Any amounts of principal so deducted will be paid in the manner mentioned in the preceding paragraph against surrender of the relevant missing Coupons at any time before the expiry of a period of 10 years after the due date for redemption, whether or not such Coupons would otherwise become void pursuant to "Prescription" below.

If the due date for payment of any amount of principal or interest in respect of any Bearer Bond or Coupon is not a business day, then the holder thereof shall not be entitled to payment of such amount until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay. In these conditions, the expression "business day" means any day on which banks are open for business in the place where the specified office of the Paying Agent at which the Bearer Bond or Coupon is presented for payment is situated and (in the case of payment by transfer to an account maintained by the payee in London as referred to above) on which dealings in pounds sterling may be carried on both in London and in such place.

The initial Paying Agents and their specified offices are listed below. The Bank will at all times maintain a paying agent in London and at least one country in Europe other than the United Kingdom. Holders of Stock will be notified in accordance with "Notices" below of the replacement of any Paying Agent or any change in its specified office or the appointment of additional paying agents.

Notwithstanding any other provisions to the contrary, payment of principal and/or interest on any Bearer Bond or Coupon may be made without physical presentation thereof by a Paying Agent which has entered into an agreement with the Bank to that effect in a form approved by the Principal Paying Agent.

Events of Default

If the Bank shall default in the payment of the principal of, or interest on, or in the performance of any covenant in respect of a purchase fund or a sinking fund in, any bonds or notes (including the Stock) or similar present or future obligations which have been issued, assumed or guaranteed by the Bank, or in the performance of any obligation arising from "Negative Pledge" above, and such default shall continue for a period of 90 days, then at any time thereafter and during the continuance of such default the holder of any of the Stock may deliver or cause to be delivered to the Bank at its Principal Office in the City of Washington, District of Columbia, United States of America, written notice that such holder elects to declare the principal of the Stock held by him (in the case of Bearer Bonds the serial numbers of which shall be set forth in such notice) to be due and payable, and on the thirtieth day after such notice shall be so delivered to the Bank the principal of such Stock shall become due and payable, unless prior to that time all such defaults theretofore existing shall have been cured.

Prescription

The Bank will be discharged from its obligations to pay principal and interest in respect of Registered Stock to the extent that such payments duly made are unclaimed within a period of 10 years and 5 years respectively after the due date.

Bearer Bonds will become void unless surrendered for payment within a period of 10 years and Coupons will, except as mentioned in "Payments" above, become void unless surrendered for payment within a period of 5 years, in each case from the due date.

Replacement of Stock Certificates, Bearer Bonds and Coupons

If any Stock Certificate, Bearer Bond or Coupon is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Registrar (in the case of a Stock Certificate) or of the Principal Paying Agent (in the case of a Bearer Bond or Coupon). Replacement will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Bank, the Registrar or the Principal Paying Agent may reasonably require. Mutilated or defaced Stock Certificates, Bearer Bonds or Coupons must be surrendered before new ones will be issued.

Title to Bearer Bonds and Coupons

The Bank and any Paying Agent may treat the holder of any Bearer Bond or Coupon as the absolute owner thereof (whether or not such Bearer Bond or such Coupon shall be overdue and notwithstanding any notice to the contrary or writing thereon) for the purposes of receiving payment and for all other purposes.

Further Issues

If the Bank wishes to issue further stock so as to form a single issue with the Stock, it shall be at liberty to constitute such further stock by a supplemental instrument on terms that it shall be or become consolidated and form a single issue with the Stock.

Notices

All notices shall be valid if despatched by post to the holders of Registered Stock at their registered addresses (in the case of joint holders to the address of the holder whose name stands first in the Register) and if published in one leading daily newspaper printed in the English language and with general circulation in London or, if this is not practicable, in a newspaper having general circulation in Europe. It is expected, however, that publication of such notices will normally be made in the *Financial Times*. Any such notice shall be deemed to have been given on the later of the day following the date of such despatch and the date of the first such publication.

Modification of Rights

The conditions of the Stock, the provisions of the Instrument and the rights of the holders of the Stock will be subject to modification by Extraordinary Resolution of the holders of the Stock (and of any further stock forming a single issue with the Stock) as provided in the Instrument. Such a Resolution will require a majority of not less than three-quarters of the votes cast thereon.

Governing Law

The Stock and the provisions of the Instrument will be governed by and construed in accordance with the laws of England. Legal proceedings in connection therewith may be brought in the courts of England.

INFORMATION RELATING TO THE STOCK

Current United Kingdom Tax Treatment and Stamp Duty

The Bank has been advised, on the basis of current law and practice, as follows:—

- Interest on the Stock paid as provided herein is payable without deduction of United Kingdom income tax.
- The 1985 Finance Bill provides that gains on Stock disposed of on or after July 2, 1986 will be exempt from United Kingdom tax on capital gains regardless of when the Stock is purchased (and any losses on disposals on or after that date will no longer be capable of qualifying as allowable losses) and that in the meantime the Stock will not attract any indexation allowance;
- The Stock will not be a deep discount security within the meaning of section 36 of the Finance Act 1984 for the purposes of United Kingdom tax on income. Notwithstanding that the issue price of the Stock may be below its nominal value, no part of that nominal value paid on redemption of the Stock pursuant to the paragraph headed "Redemption" under "Redemption and Purchases" above will be treated as subject to United Kingdom tax as income (except where the recipient is a person holding the Stock as a dealer for United Kingdom tax purposes). On a disposal of the Stock in the open market by a holder of the Stock (other than a disposal by a person holding the Stock as a dealer for United Kingdom tax purposes, but including any disposal by any other person on a purchase made by the Bank pursuant to the paragraph headed "Purchases" under "Redemption and Purchases" above), no part of the disposal proceeds received will be subject to tax as income (save for any amount which new rules being introduced by the 1985 Finance Bill may treat as representing interest accrued on the Stock in the interest period when the disposal takes place);
- transfers of the Stock are free of United Kingdom stamp duty.

Persons contemplating the acquisition of Stock who are uncertain as to their current or future United Kingdom tax treatment, or as to their treatment under the revenue laws of other jurisdictions, should consult their professional advisers.

Stock Exchange Listing

The Stock will be eligible to be dealt in on The Stock Exchange in the Gilt-edged market. The Stock will normally be traded for settlement and delivery on the working day after the date of the transaction. The price of the Stock will be quoted inclusive of accrued interest.

It is expected that dealings on The Stock Exchange will begin on Friday July 19, 1985 for deferred settlement on Thursday July 25, 1985.

Trustee Status

Registered Stock, when listed, will be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Investment by trustees in Bearer Bonds is subject to the provisions of section 7 of the Trustee Act 1925.

Building Society Status

When the Stock is listed and when the period to the date of redemption is 25 years or less, it will be an investment falling within the Schedule to the Building Societies (Authorized Investments) (No. 2) Order 1977 (as amended) and will initially fall within Part III of that Schedule.

PURPOSE OF THE ISSUE

The net proceeds to the Bank from the issue of the Stock, estimated to be not less than £26 million, will be used in the general operations of the Bank.

PRINCIPAL INFORMATION REGARDING THE BANK

Except as otherwise indicated, all amounts set forth herein are expressed in current United States dollars.

Establishment and Membership

The Bank is an international organization, also known as the World Bank, which was established and has been operating since 1946 under the Articles signed by the governments of its member countries. One hundred and forty-eight countries are now members of the Bank. The principal office of the Bank is located at 1818 H Street, N.W., Washington, D.C. 20433.

Principal Purpose of the Bank

The Bank's principal purpose is to promote the economic development of its member countries in the interest of fostering the long-term growth of international trade and improved standards of living. Its principal activity is providing loans for specific projects and related technical assistance.

The loans held by the Bank (including loans approved but not yet effective) at March 31, 1985 totalled \$74,115,079,000 of which the undisbursed balance was \$34,507,567,000. With the exception of \$1,095,044,000 in loans to the International Finance Corporation, all loans have been made to, or are guaranteed by, member countries. The Bank's cash and liquid investments, which totalled \$17,699,000,000 at March 31, 1985, are invested in obligations of governments and of certain agencies and instrumentalities of the United States Government and in time deposits and other unconditional obligations of banks and financial institutions.

Capitalization

The following table shows the borrowings and the capital and reserves of the Bank at March 31, 1985:

Borrowings:		
Short-term		(\$'000s)
Payable in U.S. dollars	..	\$ 3,742,175
Contracts to borrow	..	8,500
Less - Net unamortized discounts	..	23,337
		\$ 3,729,338
Medium- and long-term		
Payable in U.S. dollars	..	\$16,315,370
Payable in Japanese yen	..	9,354,907
Payable in Deutsche mark	..	7,476,107
Payable in Swiss francs	..	7,212,043
Payable in other currencies	..	5,281,337
Sub-total	..	\$45,619,764
Contracts to borrow	..	523,329
Less - Net unamortized discounts and premiums	..	57,938
		\$46,085,155
Total	..	\$49,814,493
Capital and reserves:(1)		
Subscribed capital stock	..	\$38,057,967
Less - Unallocated portion of subscriptions	..	52,974,117
Capital stock paid in	..	\$ 5,083,850
Reserves and accumulated net income - unallocated	..	4,751,488
Total	..	\$ 9,836,338

(1) The figures with regard to capital stock in the above table are based on the substitution of one special drawing right ("SDR") of the International Monetary Fund ("IMF") for one 1944 dollar (the basis for expressing the Bank's capital under its Articles). This substitution has been made in the Bank's financial statements with the approval of its Executive Directors pending final determination of the valuation of the Bank's capital.

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UK COMPANY NEWS

Lewmar joining unlisted market with £26m value

BY LUCY KELLAWAY

Lewmar, which claims to be one of the world's leading makers of yachting equipment, is joining the unlisted market. The company, which was founded in 1968, is offering for sale 6m shares at 110p each, valuing the company at £26.2m.

Of the shares being sold, 3.1m will raise about £3m of new money for the company, with the remaining 2.9m being sold by the chairman and his family interests, who after the offer will own 74 per cent of the company.

Lewmar has been making yacht equipment since 1968. In 1984 the present chairman, Mr John Burton, joined the company and bought control of the company. The company designs, manufactures and distributes the equipment, which it sells around the world. Last year the UK accounted for less than 10 per cent of sales with a further 30 per cent divided evenly between North America and Europe.

America has become an increasingly important market for Lewmar, following the acquisition in June 1983 of Navtec, a U.S. company believed to be the world's largest maker of rod rigging and hydraulic mast control systems.

These products are sold under

the Navtec brand name, and have reduced the group's dependence on sail control systems. Navtec's control systems now account for about 20 per cent of group turnover.

The company stresses the importance of design and development. Its winches were used on nine of the 12 challenge for the 1983 Americas Cup, and it has received orders to equip a further nine in the 1987 race.

In each of the past 19 years, except for one, profits have risen; and the latest five year's results show a steady increase in turnover from £8.8m in 1981 to £14.8m in 1985, with pre-tax profits climbing from £385,000 five years ago to £2.6m in the year to February 1985.

No forecast is being made for the current year, and based on 1985 profits the price earnings ratio at the offer price is 14.

The yield is 3.4 per cent assuming an annual dividend of 2.625p a share. Application lists open on July 22 and dealings begin a week later.

comment

Lewmar's reputation is such that investors with a sailing bent may

take one glance at the historic p/e of 14 and buy on principle. But those who think snapshakes are a breakfast cereal will need to delve deeper into the prospectus. The company has an immaculate profit record—it clearly knows its market inside out, and in the last 19 years has apparently done an excellent job in supplying it with high quality winches, gaining market share at the expense of competition which for the most part is local and fragmented. However, Lewmar now has about 40 per cent of the world market for winches and further growth prospects here seem limited, so that expansion will depend increasingly on Navtec and its Lewmar's other products. With 90 per cent of sales overseas the weakness of the pound has had a strongly positive effect on profits in the last two years, giving a boost which will be less noticeable in the current year's results. Unlike many US newcomers Lewmar is a mature company, and even though prospects may be correspondingly mature, its track record demands a premium to the market average.

Ellis & Everard up 38% but growth in U.S. slowing down

SECOND HALF profits of chemical merchants and processor Ellis & Everard came to £1.64m, to give a total of £3.52m for the year ended April 30 1985, a rise of 37.5 per cent over the comparable £2.56m.

The current year has begun satisfactorily in the UK, but the slowdown in economic growth has made it rather harder going in the U.S., the directors state.

However, they are confident that the group will consolidate successfully on last summer's 61 per cent increase in pre-tax profits (first half produced £1.67m against £1.16m), despite much higher insurance premiums.

The directors are maintaining the final dividend at 4p for an unchanged total of 6.5p over after adjustment for the scrip issue last time this is equal to an increase of 0.59p. A further one-for-10 scrip is to be made.

In the year 1984-85 turnover expanded from £56.09m to £58.2m, and this generated a gross profit of £17.67m, compared to £13.08m in 1983-84. Distribution costs were £3.22m (£3.85m) and administrative expenses £3.68m (£3.65m).

The overall 57 per cent increase in sales was made up as to a 9 per cent lift in merchandising, 12 per cent in fine chemicals, 19 per cent in exports, 24 per cent in manufacturing, 39 per cent in AIGC, and the inclusion of Prillaman.

The group's U.S. interests contributed an operating profit of £1m, compared with £443,000, or \$1.23m (\$647,000). Of this the

Prillaman group accounted for £518,000, or \$630,000, since its acquisition a year ago.

UK tax took £1.35m (£1.02m) and overseas £255,000 (£122,000) while minorities were £64,000 (£34,000). This left the net attributable profit at £1.85m (£1.36m), for earnings of 12.6p (£11.3p) per share.

comment

Earlier in the year, when analysts were predicting at least 2.5m pre-tax for Ellis & Everard, the shares stood at 250p. By yesterday morning the price was more than a quarter below that and the full year outcome of £3.5m was clearly no surprise for anybody but small shareholders not privy to the subtle changes in analysts' forecasts that go towards making an efficient market. Even so a second half profit fall of an eighth against the interim is less than inspiring. Most of the problems have come in the U.S. where the market has been slower and margins remain under pressure. Never the less expansion there still dominates thinking (not surprisingly given the size of the market) and E & E will soon commence preliminary talks with a company about one-third the size of Prillaman—that could stir in well with its policy of establishing a presence in the south east. With the UK remaining dominant this year profits could reach £4m pre-tax for a prospective p/e of 12 at 185p—not the high rating of six months ago but still no more than fair given the results.

Robert Lowe returns to profit

Robert H. Lowe, Cheshire-based clothing manufacturer, has returned to profitability in the six months to May 3, 1985. A pre-tax profit of £120,000, compared with a £39,000 loss last time, but the board cautions that while overall performance has been made, much still needs to be done.

The board remains confident however, in the company's ability to continue the progress made in profitable growth. For the year ended November 2, 1984, a U.S. company believed to be the world's largest maker of rod rigging and hydraulic mast control systems.

The recent history of Lowe has been one where the second half performance was substantially worse than the first six months. But the board points out that the group is now witnessing a resumption of customer confidence in its ability to produce and service attractive ranges.

This year will not see the trading losses that have come to be associated with the group's recent second-half performance, the board states.

The company has decided to pay the interim preference dividend on August 30, 1985, together with the arrears of preference dividend outstanding.

The board says it is still essential to conserve liquid resources and consequently it is not intended to resume the payment of an interim on the ordinary shares.

The improved half-year performance was achieved on slightly lower turnover of £3.89m (£3.88m). Market conditions are not easy and margins remain inadequate, but the group has benefited from the positive measures taken to concentrate production into more viable units, and by adopting a more

realistic approach to commercial problems and the opportunities they afford.

Trading profits for the six months climbed from £8,000 to £171,000. Interest payable took £31,000 (£47,000), but there was again no tax. Earnings per 25p share are stated at 3.68p (1.25p losses).

The Aspatia garment making unit continues to make progress with its increased number of direct operatives. A re-equipment scheme has commenced so as to obtain greater machine efficiencies.

The Conquest garment making unit is still undergoing difficulties in recruiting skilled labour locally and there remains a need to generate a more acceptable level of gross margin on their established lines.

Both the transfer printing business and cardboard box manufacturer have shown further improvement in profitability.

Park Food shows 21% rise

Park Food Group, which packs and supplies hampers, raised pre-tax profits 21 per cent from £1.57m to £1.9m for the year ended March 31, 1985. Turnover was 37 per cent higher at £39.25m, against £28.65m.

An increase in full year profits had been predicted at the interim stage, when—reflecting the seasonal nature of its main business—the group reported pre-tax losses of £1.64m (£1.41m).

The current year has again started well with a further real increase in order intake for the company's retail agency hampers business, which is the most profitable sector of its activities. The directors say the company is encouraged by this and the

progress being achieved in other food activities, and add that the signs for the current year look promising.

Tax for the year took £369,000 (£760,000) and earnings per 10p share came out at 10.05p (£0.1p). The dividend total is raised from 5p to 3.6p net with a final of 2.4p.

Sales and profits in the main business of Christmas hampers and vouchers were again substantially up.

In other food activities, Bee and Cee Food remained profitable but Millstone, which started its fresh convenience food business only two years ago, incurred a trading loss.

THE CLYDESDALE (TRANSVAAL) COLLIERIES LIMITED

(Incorporated in the Republic of South Africa)

ISSUED CAPITAL: 10 097 721 shares of 50 cents each

	Quarter ended 30 June 1985	Quarter ended 31 March 1985	Six months ended 30 June 1985
OPERATING RESULTS (TONS 000)			
Total mined	2 092	1 952	4 044
Tons sold	1 989	1 928	3 917
FINANCIAL RESULTS (R000)			
Sales revenue	29 246	28 740	58 006
Cost of sales	24 878	23 045	47 923
Gross profit	4 368	5 695	10 063
Sundry revenue-net	1 797	1 500	3 297
Profit before tax	6 165	7 195	13 360
Tax	3 472	4 132	7 604
PROFIT AFTER TAX	2 713	3 063	5 776
Capital expenditure	5	17	22
Dividend	5 049	—	5 049
Loan levy refund	—	240	240

NOTES:

- Capital Expenditure. The unexpended balance of authorised capital expenditure at 30 June 1985 was R2.7 million.
- Dividend. A dividend (No. 144) of 50 cents (19.566898p) per share declared on 13 June 1985 is payable to members on or about 7 August 1985.
- Proposed Merger of the Operations of Clydesdale and Apex. Apex has been granted leave to appeal against the judgment on the application to lead further oral evidence and the application for sanction of the Securities and Investments Tribunal. The appeal will be heard by the Appellate Division on a date to be decided by the Court.

On behalf of the board
A. M. D. GNODE } Directors
M. R. FULLER-GOOD }

15 July 1985

BASE LENDING RATES

A.B.N. Bank	12 %	■ Hill Samuel	12 1/2 %
Allied Dunbar & Co.	12 1/2 %	C. Hoare & Co.	12 1/2 %
Allied Irish Bank	12 1/2 %	Hongkong & Shanghai	12 %
American Express Bk.	12 1/2 %	Johnson Matthey Bkrs.	12 1/2 %
Bank of Africa	12 %	K. O. Co. Ltd.	12 1/2 %
Bank of Australia	12 1/2 %	Lloyds Bank	12 %
Associates Cap. Corp.	13 %	Edward Manson & Co.	13 1/2 %
Banco de Bilbao	12 1/2 %	Meghray & Sons Ltd.	12 1/2 %
Bank of Belgium	12 1/2 %	■ National Bank	12 %
BCCI	12 1/2 %	Morgan Grenfell	12 %
Bank of Ireland	12 1/2 %	Mount-Credit Corp. Ltd.	12 %
Bank of Cyprus	12 1/2 %	National Bk. of Kuwait	12 %
Bank of India	12 1/2 %	National Girobank	12 %
Bank of Japan	12 1/2 %	Norwestminster	12 %
Bank of Korea	12 1/2 %	Northern Bank Ltd.	12 1/2 %
Banque Belge Ltd.	12 %	Norwich Gen. Trust	12 %
Barclays Bank	13 1/2 %	People's Trust	13 1/2 %
Beneficial Trust Ltd.	13 %	PK Finance Intl. (UK)	13 %
Bank of China (Mid. East)	12 1/2 %	Provincial Trust Ltd.	13 1/2 %
Brown Shipley	12 1/2 %	R. Raphael & Sons	12 %
CL Bank Nederland	12 %	Roxburgh Guarantee	13 %
Canada Permanent	12 %	Royal Bank of Scotland	12 %
Cayzer Ltd.	12 %	Royal Trust Co. Canada	12 1/2 %
Chartered Bank	12 1/2 %	■ Standard Chartered	12 1/2 %
Charterhouse Japbet	12 %	TCB	12 1/2 %
Choulatours*	12 %	Trustee Savings Bank	12 %
Citibank NA	12 1/2 %	United Bank of Kuwait	12 %
Citibank Savings	12 1/2 %	United Bank Ltd.	12 %
City of London Bank	12 1/2 %	Westpac Banking Corp.	12 1/2 %
Clydesdale Bank	12 1/2 %	Whiteaway Laidlaw	13 %
C. E. Coates & Co. Ltd.	13 %	Williams & Glyn's	12 %
Comm. Bk. N. East	13 %	Yorkshire Bank	12 %
Consolidated Credits	12 1/2 %		
Coopers & Lybrand	12 1/2 %	■ Members of the Acceping Houses	
The Cyprus Popular Bk.	12 1/2 %	Committee,	
Duncan Lawrie	12 %	1. Deposits 8.75% 1 month	
E. T. Trust	13 %	3.5% Term 12,2500+ at 3	
Exeter Trust Ltd.	13 1/2 %	months 2500+. At call when	
First Nat. Corp.	12 1/2 %	call remains 12 1/2 %	
First Nat. Secs. Ltd.	12 1/2 %	† Call deposits 11.00 and over	
Robert Fleming & Co.	13 1/2 %	9 1/2 % gross.	
Robert Fraser & Puns.	13 1/2 %	‡ 21-day deposits over £1,000 10%.	
Grindlays Bank	12 1/2 %	* Mortgage base rate.	
Guaranty Sav. Bank	12 1/2 %	† London & Lancashire Trust Ltd.	
Hambros Bank	12 1/2 %	‡ Demand deposits 9 1/2 %.	
Heritable & Gen. Trust	12 1/2 %		

TECHNOLOGY

Blunder gave IBM a world lead in factory automation sales

BY RAYMOND SNOODY

SOME OF the leading computer aided design companies have made a major strategic blunder in their battle with IBM for the world market for computer aided design and manufacturing (CAD/CAM), a leading specialist researcher believes.

Mr Charles Foundryer, of Daratech consultancy, who has just completed a major survey of the market which shows that the long expected shakeout in the industry is underway, believes something strange began to happen about the middle of last year.

Major American CAD/CAM companies such as Computervision and Applicon, which were starting to feel the squeeze and having to lay people off, started to emphasise computer integrated manufacture (CIM) to go for growth. The future, they argued, lay not just in CAD but in systems that integrated everything from inventory control, finance and design.

"The purchasing decisions started to move from the engineers to the data processing managers," Mr Foundryer believes. Engineers might know all about Computervision products but the data processing managers were more familiar with IBM.

"Suddenly companies like Computervision and Applicon started flooding themselves competing with IBM on its home ground. In effect that strategy handed IBM the CAD/CAM market on a silver platter," Mr Foundryer said.

At the same time as the traditional CAD/CAM companies were being squeezed at one end by integrated IBM systems they were facing trouble at the other by the increasing use of small personal computers for computer aided design at a fraction of the cost of large dedicated systems.

According to the Daratech survey, which looks at all CAD/CAM companies operating in the American market, revenue growth has slowed to an estimated 24 per cent—down from 53 per cent in 1984.

A better educated market, and more cautious capital spending has led to increasing difficulties for weaker companies with less competitive products.

"The survivors are going to be companies that maintain a technological edge with products that can co-exist with IBM's mainframe, workstation and network strategy," the survey says.

The U.S. is still the dominant CAD/CAM market with Europe a long way behind.

"The entire installed CAD/CAM installed base in Germany is the same as that at Boeing. The UK's CAD/CAM installed base is twice that of Boeing," Mr Foundryer points out.

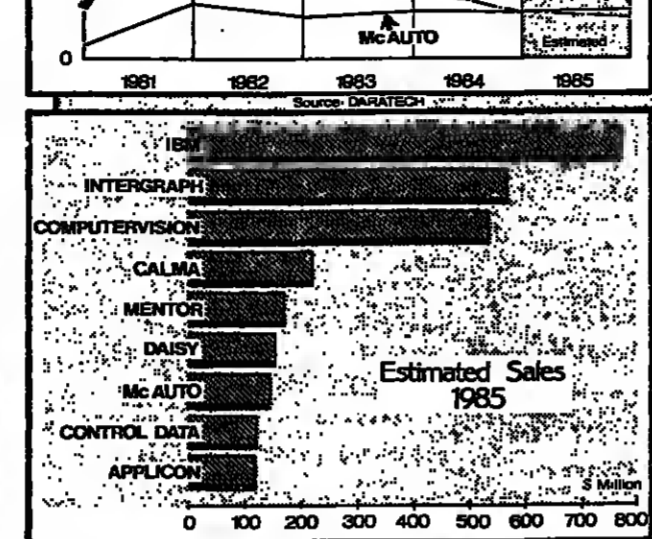
IBM will increase its lead as the industry sales leader this year, Daratech believes. Its share of the CAD/CAM and CAE (computer assisted engineering) will grow to 23 per cent in 1985 with system sales of \$790m, seven points ahead of its closest rival Intergraph.

Daratech believes that IBM is preparing a number of single user systems based on personal computers and powerful new general-purpose engineering workstations. Industry sources believe the new workstations will be 32 bit machines which will use the UNIX operating system and cost between \$15,000 and \$40,000 for the bottom of the range.

"Once these new products become available IBM will have surrounded the market with an array of compatible products in all price ranges," Daratech says. Acceptance of personal computer-based CAD/CAM, CAE by all market segments has been remarkable.

"With an estimated 42,000 units installed at the end of March 1985, Daratech believes that already more than one third of all CAD/CAM, CAE seats are based on personal computers," the survey says.

The increasing power of these systems, which usually sell for less than \$18,000, the



research company believes, is starting to hurt sales of the high end systems that can cost up to \$120,000 a seat.

"Users are finding that personal computer-based systems often give them 70 per cent of the benefit for 20 per cent of the cost and are increasingly opting for the lower-cost systems," Daratech says.

The company expects the move to personal computers to accelerate quickly when more powerful machines with better displays are introduced later this year.

"By 1990 personal computer power will have increased so much that more than nine out of ten CAD/CAM, CAE seats will use a personal or desktop computer."

The survey says that the charge is being led by Autodesk, a Sausalito, California software company which has already shipped more than 20,000 of its AutoCAD systems. This is a drafting and design system for mechanical and architectural applications that

runs on 30 different models of personal computers.

Most of the major players in the CAD/CAM market, Daratech believes, will have already entered the personal computer segment or plan to announce systems before the end of this year.

Building revenues in this segment has however been difficult for established turnkey system vendors because of low unit prices, and because users apparently prefer to buy personal computer hardware independently or use computers already purchased for other purposes.

Yet despite the great uncertainty over the whole sector Daratech believes that the "votes at Computervision which posted a 1985 first quarter loss of \$18m, and Calma which was forced to lay off 115 workers in April, 1985, do not appear to be widespread."

The Daratech survey, review and buyers guide is available in Europe from Elsevier Scientific Publications PO Box 211, 1000 AE Amsterdam

Divide is the rule for making the most of overloaded computers

Professional
Personal
Computing

BY ALAN CANE

THE LOTUS software package "Symphony," a massive spreadsheet coupled to file handling, graphics, communications and word processing programs is generally reckoned to be at the very limits of integration—at least using today's technology.

While the quality of the individual components of the package is not in question, there is a general belief that it, and indeed its precursor 1-2-3, is not easy to use. Indeed, the UK expert systems company Expertech is developing a package to give Lotus users expert advice when they find themselves unable to cope with Lotus' error messages.

So "integration" has ceased to be the flavour of the month. But that does not mean that personal computer users will be prepared to go back to loading and unloading individual programs to carry out business computing. What they are looking for is a level of integration which can be easily understood, mastered and, above all, put into practice quickly.

The market for low-cost, easy-to-use personal computer

programs that automate simple office functions, or which make the computers themselves easier to use is substantial. Consider, for example, the case of the U.S. software house Borland International.

It packaged a small but powerful program, dBase, which enabled the user to interrupt any activity on the computer, load in another and then return to the original program at exactly the point of interruption. At around \$70, it proved a runaway success.

Now, however, the accent is on integration without tears. An integrated package like 1-2-3, Symphony, Framework or Open Access certainly allows the user to move between different programs, but only those which are part of the package, for example between a spreadsheet and a word processor.

The latest idea is memory partitioning: it involves a smart piece of software which divides the memory of the computer into separate segments so that two or more programs can be loaded into the computer at the same time.

Windowing programs which allow the screen to be divided up into a number of different sections ("windows") each running a separate program, are one approach to memory partitioning. The best known are the much-delayed Windows from Microsoft, Concurrent PC-DOS from Digital Research and Desq. In addition, IBM created a stir late last year when it announced its own windowing program "Topview."

Most IBM PC users seem to have machines with at least 256K bytes of store, so two 128K programs could be loaded easily.

Mr Huckle speaks from his own experience: "My PC has 640K and each morning I automatically load Wordstar, Cardbox (a boxfile program), Brainstorm (an ideas organiser) and Timekeeper (office management system)."

He says: "It gives the user the ability to use his PC for tasks that he could not use it for before because the tools required needed to be on hand all the time."

"Now he or she can have Lotus 1-2-3 running all day, but he can also computerise his card index, notepad, diary or calculator."

Data can be moved from segment to segment and the user can skip from one segment to the next by pressing one or two keys.

Memory/Shift does not use windows or allow two programs to run simultaneously nor does it run with all programs—it cannot be used with "background programs" like Sidekick, for example, because they both make use of the same parts of the computer's operating system.

Nevertheless, it seems to have won approval from the computer most of whom recommend it highly. But it remains to be seen how IBM's Top View performs in the memory partition market.

A second method of memory partitioning which is very big business in the U.S. at present

is exemplified by a package called "Memory/Shift," now available in the UK from Caxton (and available by mail order, in imitation of the strategy pioneered by Borland International in the U.S.).

According to U.S. software expert Hillel Segal of Executive Computing newsletter: "Memory/Shift is an amazing \$99 program that stands in a class all by itself."

It makes it possible for a computer user to segment the main memory of the computer into up to nine sections. Each section can be loaded separately with a program. Bob Huckle, marketing director of Caxton, says he thinks most people will use two or four sections rather than all nine.

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EDITED BY ALAN CANE

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"Now he or she can have Lotus 1-2-3 running all day, but he can also computerise his card index, notepad, diary or calculator."

Data can be moved from segment to segment and the user can skip from one segment to the next by pressing one or two keys.

Memory/Shift does not use windows or allow two programs to run simultaneously nor does it run with all programs—it cannot be used with "background programs" like Sidekick, for example, because they both make use of the same parts of the computer's operating system.

Nevertheless, it seems to have won approval from the computer most of whom recommend it highly. But it remains to be seen how IBM's Top View performs in the memory partition market.

A second method of memory partitioning which is very big business in the U.S. at present

The good news is
FERRANTI
Selling technology

New style components from STC

STC COMPONENTS has begun full production of tantalum chip capacitors for surface mounting applications and will soon be making several million a week at its plant in Paignton, Devon.

Surface mounting of electronic components on printed circuit boards is expected to be widely used by makers of professional electronic equipment in the next few years.

Instead of using integrated circuits, resistors and capacitors with wire legs that are inserted into holes in the board and soldered on the reverse side, surface-mounted components simply have contact pads which are directly soldered to the top side of the board.

More components can be packed on to the board, reducing its size by up to 50 per cent and connections are more reliable. The legless components are easier for inspection machinery to handle and the absence of the short lengths of wire improves high-frequency performance.

STC's chip capacitors are supplied in taped or reeled form with delivery times of 9-10 weeks. More on 0279 26811.

Bank offers payroll training

CENTRE-FILE, the computer services subsidiary of National Westminster Bank, has launched a two-day payroll training course for new employees.

It covers income tax, national insurance, statutory sick pay, pensions, procedures for new employees and end of year tax routines. The lectures are aimed at people with little or no knowledge of payroll procedures or calculations.

The courses cost £175, including food and refreshments, and take place at the bank's Goodmans Fields complex in Aldgate, East London.

Nationale Maatschappij der Belgische Spoorwegen (NMBS)

(B)

Société Nationale des Chemins de fer Belges (SNCB)

¥10,000,000,000

Term Loan

Guaranteed by

The Kingdom of Belgium

Lead Managed by

Nippon Life Insurance Company

The Mitsui Trust and Banking Company, Limited

Managed by

The Bank of Tokyo, Ltd. The Bank of Yokohama, Ltd.
The Dai-ichi Mutual Life Insurance Company The Meiji Mutual Life Insurance Company
The Saitama Bank, Ltd. Sumitomo Life Insurance Company

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The Industrial Bank of Japan, Limited The Long-Term Credit Bank of Japan, Limited
Mitsui Mutual Life Insurance Company The Nippon Credit Bank, Ltd.
The Taiyo Mutual Life Insurance Company

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Nippon Life Insurance Company The Mitsui Trust and Banking Company, Limited The Bank of Tokyo, Ltd.
The Bank of Yokohama, Ltd. The Dai-ichi Mutual Life Insurance Company The Meiji Mutual Life Insurance Company
The Saitama Bank, Ltd. Sumitomo Life Insurance Company Asahi Mutual Life Insurance Company
The Industrial Bank of Japan, Limited The Long-Term Credit Bank of Japan, Limited
Mitsui Mutual Life Insurance Company The Nippon Credit Bank, Ltd. The Taiyo Mutual Life Insurance Company
The Chiyoda Mutual Life Insurance Company Fuboku Mutual Life Insurance Company Générale Bank, Tokyo Branch
Manufacturers Hanover Trust Company, Tokyo Branch The Mitsubishi Trust and Banking Corporation The Norinchukin Bank
The Sumitomo Trust and Banking Company, Limited The Tokyo Marine and Fire Insurance Company, Limited
The Toyo Trust and Banking Company, Limited The Yasuda Fire and Marine Insurance Company, Limited
The Yasuda Mutual Life Insurance Company The Yasuda Trust and Banking Company, Limited

Coordinator

Nippon Life Insurance Company

Agent

The Mitsui Trust and Banking Company, Limited

June, 1985

WORLD MOTOR CONFERENCE

FRANKFURT
SEPTEMBER
12 and 13, 1985

The Financial Times is arranging a major conference on the World Motor Industry in Frankfurt on 12 and 13 September with the Frankfurt Motor Show

The distinguished panel of speakers will include

Bob Lutz of Ford
Umberto Agnelli of Fiat and Bernard Hanon

For further details contact:

Karen Eve on
01-621 1355

Financial Times
Conference
Organisation,
Minster House,
Arthur Street,
London EC4R 9AX

Tel: 01-621 1355

Telex:

27347 FTCONF G

Contracts and Tenders

REPUBLIC ALGERIENNE DEMOCRATIQUE ET POPULAIRE

(Algerian Popular Democratic Republic)

MINISTRE DE L'ENERGIE ET DES INDUSTRIES PETROCHIMIQUES
(Ministry of Energy and Petrochemical Industries)

ENTREPRISE NATIONALE DES TRAVAUX AUX PUITES
(National Oil Exploration Company)

NOTICE OF EXTENSION

The National Oil Exploration Company (E.N.T.P.)—16 ROUTE DE MEFTAH—OUED SMAR—EL HARRACH—ALGER—hereby informs companies concerned with International Call for Tender No. 9140/AY/MEC for the supply of:

- Lot No 1:—Ambulances L.R. Type 109
- Lot No 2:—Jeeps for trouble-shooting/inspection purposes Type 109

that the closing date, initially, set at 1/7/85, has been extended to 7/8/85.

REPUBLIC ALGERIENNE DEMOCRATIQUE ET POPULAIRE

(Algerian Popular Democratic Republic)

MINISTRE DE L'ENERGIE ET DES INDUSTRIES PETROCHIMIQUES
(Ministry of Energy and Petrochemical Industries)

ENTREPRISE NATIONALE DES TRAVAUX AUX PUITES
(National Oil Exploration Company)

NOTICE OF EXTENSION

The National Oil Exploration Company (E.N.T.P.)—16 ROUTE DE MEFTAH—OUED SMAR—EL HARRACH—ALGER—hereby informs companies concerned with International Call for Tender No. 9138/AY/MEC for the supply of:

- Lot No 1:—Tractors 6 x 6 equipped with winch, 450-500 h.p.
- Lot No 2:—Tractors 6 x 6 with 30-ton capacity, 300 h.p.

that the closing date, initially set at 1/7/85, has been extended to 7/8/85.

Company Notices

BANK HANDLOWY W. WARSZAWIE S.A.

(Polish Bank of Commerce)

Considering the 4,500 bonds presented for redemption at 14 August 1985 and, pursuant to an agreement dated 14.8.85, the 15,000 bonds which were withdrawn from circulation, the outstanding amount was U.S.\$1,651,000 before the Series including the 1,951 bonds which were drawn on the first drawing by lot dated 14.8.1985 representing the total amount of U.S.\$1,651,000 to be redeemed on 14 August 1985: 5,501 to 12,501

entitlements will be redeemable at U.S.\$1,000 at the offices of the following establishments:

- Banque Nationale de Paris—Paris
- Banque Paribas—Paris
- Banque de l'Indochine—Paris
- Banque de l'Indochine—Lyon
- Banque de l'Indochine—Geneva
- Banque de l'Indochine—London
- Banque de l'Indochine—New York

However, the bondholders who benefit from this redemption must deposit the bonds at the office of the fiscal agent, Messrs. J. & J. de Rothschild, 14, rue de la Harpe, 75001 Paris, before the 14th August 1985.

Bank Handlowy W. Warszawa S.A. has entered into an agreement with the Polish Government to issue a new series of bonds, the first drawing by lot will be held on 14 August 1985 at the offices of the fiscal agent, Messrs. J. & J. de Rothschild, 14, rue de la Harpe, 75001 Paris.

This dividend will have to be accompanied by the bonds deposited for redemption. Outstanding amount: U.S.\$1,651,000.

For further details contact: Bank Handlowy W. Warszawa S.A., 1, ul. Miodowa, 00-610 Warszawa, Poland.

For further details contact: Bank Handlowy W. Warszawa S.A., 1, ul. Miodowa, 00-610 Warszawa, Poland.

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For further details contact: Bank Handlowy W. Warszawa S.A., 1, ul. Miodowa, 00-610 Warszawa, Poland.

Copies of this document, having attached thereto the documents referred to herein, have been delivered to the Registrar of Companies for registration.

This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Lewmar plc ("the Company") and its subsidiaries (together "the Group" or "Lewmar"). The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or opinion. All the Directors accept responsibility accordingly.

Application will be made to the Council of The Stock Exchange for the grant of permission to deal in the Ordinary shares of the Company, issued and to be issued, in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to the Official List.

The application lists for the Ordinary shares now being offered for sale will open at 10.00 a.m. on Monday, 22nd July, 1985 and may be closed at any time thereafter. The procedure for application and an application form are set out at the end of this document.



LEWMAR plc

(Incorporated in England under the Companies Acts 1948 to 1967; Registered No. 960832)

Offer for Sale by Phillips & Drew of

6,000,000 Ordinary shares of 25p each at 110p per share
payable in full on application



SHARE CAPITAL		Issued and to be issued fully paid £
Authorised £ 7,250,000	in Ordinary shares of 25p each	5,958,184
The Ordinary shares now being offered for sale will rank in full for all dividends hereafter declared or paid.		
INDEBTEDNESS		
At the close of business on 17th June, 1985, the Group had outstanding unsecured bank overdrafts of £57,000, secured bank overdrafts of £313,000, secured term loans of £582,000, unsecured term loans of £56,000 and mortgage loans of £70,000.		
Save as aforesaid and apart from intra-group indebtedness, the Group did not have outstanding at that date any mortgages, charges or debentures, any loan capital issued or created but unissued, or any other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, term loans and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments or lease commitments under leasing agreements (other than operating leases) or guarantees or other material contingent liabilities.		

DIRECTORS AND ADVISERS

BOARD OF DIRECTORS
John Donnan Burton, MA (Chairman)
Martin Jay, MA (Managing Director)
Thomas Roff-Ellison, BSc (Eng.), MBA, (US)
David John Heaton, BSc, FCA
Richard David John Huggins
Charles Anthony Bystram BA (Non executive)
All of Southmoor Lane, Havant, Hampshire, PO9 1JJ

SECRETARY AND REGISTERED OFFICE
David John Heaton, BSc, FCA
Southmoor Lane, Havant, Hampshire, PO9 1JJ

STOCKBROKERS AND FINANCIAL ADVISERS
Phillips & Drew,
120 Moorgate, London, EC2M 6XP

AUDITORS AND REPORTING ACCOUNTANTS
Arthur Andersen & Co.,
Chartered Accountants,
1 Surrey Street, London, WC2R 2PS

SOLICITORS TO THE COMPANY
Lindal & Paines,
Barrington House, 59-67 Gresham Street, London, EC2V 7JA

SOLICITORS TO THE OFFER FOR SALE
Nabarro Nathanson,
76 Jermyn Street, London SW1Y 6NR

PRINCIPAL BANKERS
Barclays Bank PLC,
10-12 High Street, Emsworth, Hampshire, PO10 7AP

RECEIVING BANKERS
Barclays Bank PLC,
New Issues Department,
PO Box 123, Fleetway House, 25 Farringdon Street, London, EC4A 4HD

REGISTRARS AND TRANSFER OFFICE
Barclays Bank PLC,
Registration Department,
Radbrooke Hall, Knutsford, Cheshire, WA16 9EU

SUMMARY

The following information is derived from the full text of this document and accordingly should be read in conjunction with that text:

BUSINESS
The Group is one of the world's leading designers, manufacturers and distributors of sophisticated equipment for racing and cruising yachts. Products include a wide range of winches, sail control hardware, rod rigging, hydraulic systems and hatches. Lewmar's comprehensive range of products is designed and manufactured within the Group and marketed to boatbuilders and independent distributors, principally under the trade names "Lewmar" and "Navtec". The equipment is of a high specification and quality and utilises advanced technology. The Group has earned a reputation for innovation, reliability and technical excellence in high performance applications, which has enabled it to build a leading position within its industry. It is dedicated to following the same approach in securing further growth.

TRADING RECORD

	1981	1982	1983	1984	1985
£'000	£'000	£'000	£'000	£'000	£'000
Turnover	5,832	6,687	7,887	11,834	14,810
Profit before taxation	385	907	1,158	1,821	2,822
Taxation	(77)	(345)	(323)	(652)	(1,156)
Profit after taxation	308	562	765	1,169	1,666
Earnings per share	1.5p	2.6p	3.7p	5.6p	8.0p

OFFER FOR SALE STATISTICS
Offer for sale price per share 110p
Number of shares in issue following the offer for sale 23,832,735
Market capitalisation at the offer for sale price £26.2 million
Number of shares being offered for sale 6,000,000
—by existing shareholders 3,120,000
—by the Company 2,880,000
Earnings per share
—after the actual tax charge of 41 per cent. 8.0p
—assuming a notional tax charge of 35 per cent. 8.9p
Price/earnings ratio
—after the actual tax charge of 41 per cent. 13.7
—assuming a notional tax charge of 35 per cent. 12.4
Cross dividend yield based on the indicated annual dividends of 2.625p per share (being 3.75p including the associated tax credit) 3.4%
*Calculated on the basis set out under "Profits and Financial Position" below.

INTRODUCTION AND MARKET BACKGROUND

The Group is one of the world's leading designers, manufacturers and distributors of sophisticated equipment for racing and cruising yachts. The Group's principal products are—

- Winches — Mechanically geared devices used to tension ropes and adjust the sails on a yacht.
- Deck hardware — A range of products designed to assist in the control of the many ropes which are a feature of almost all yachts.
- Rod rigging — A system to support the mast and control its bend using high tensile stainless steel alloy rods, which offers considerable benefits over conventional wire rigging.
- Hydraulic systems — A system of hydraulic pumps, valves and rams which enables large loads to be moved with little physical effort. These systems are mainly used to change the bend of the mast and the precise shape of the sail.
- Hatches — A range of products made from extruded aluminium alloy, used to cover openings in the deck of a boat to provide ventilation and access below deck.

Lewmar's success in recent years has been founded largely on its dedication to the design and development of technologically advanced products for high performance applications in the racing world. Nine of the twelve challenges for the 1983 America's Cup, including both finals, chose to be equipped with "Lewmar" winches. In the same series, all twelve competitors used rod rigging and hydraulic equipment supplied by Navtec Inc. ("Navtec"), a US subsidiary of the Group.

The Group's headquarters and main manufacturing plant are located in Havant, Hampshire. The Group also has manufacturing facilities in Waterford, Republic of Ireland, and Littleton, Massachusetts, USA.

The Group's potential markets are worldwide and in the last financial year over 90 per cent. of sales were made outside the UK. The Directors believe that the Group enjoys the largest single share of the world market for yacht winches. Lewmar has received three Queen's Awards for its contribution to exports.

The Group's principal customers are boatbuilders and thus the market for its products is influenced by trends in yacht construction. The Directors believe the market is likely to show steady growth in the next few years as personal expenditure on leisure activities increases in developed countries. The Group benefits both from the desire of boatbuilders to specify well-known, international brands and from the trend in recent years towards larger, more sophisticated boats and equipment. Furthermore, Lewmar's success in the racing environment, and the publicity which this success has given its products, is an important factor in the selection by boatbuilders of "Lewmar" and "Navtec" equipment for their boats.

HISTORY

The business was founded in 1946 to manufacture yacht equipment. John Burton joined Lewmar Marine Limited in 1966 as Chairman and Managing Director and acquired control of that company in 1967 on behalf of the J. D. Burton Settlement, a trust established by him for the benefit of his family. He implemented a programme for expansion based upon concentrating on the manufacture of winches and developing international markets.

During the following ten years, distribution centres were progressively established in the Group's major overseas markets, namely in the USA and in Continental Europe. The European distribution centres now consist of one in France covering Southern Europe and one in Sweden covering Scandinavia, whilst North America is serviced from Rhode Island, California and Ontario. The Group's central production facilities in Havant, which it occupied during 1971, have been expanded to match the growth in sales volumes.

A second factory was established in Ireland in 1976 by Waterford Engineering Limited ("Waterford"), which manufactures brass and aluminium alloy castings for Lewmar.

In June, 1983, there was a significant expansion in the US with the acquisition of Navtec, which the Directors believe to be the world's leading manufacturer of rod rigging and hydraulic mast control systems, to complement Lewmar's existing expertise in sail control systems.

The prospectus treats as part of the Group those companies which have been under common management during the period reviewed, including Waterford and Navtec which were directly owned by the Trustees of the J. D. Burton Settlement until July, 1985, when they were transferred to the Group.

BUSINESS

A. PRODUCTS

Sail Control Systems

Winches: Lewmar manufactures manually, hydraulically and electrically operated winches for yachts of sizes ranging from 20 feet to over 100 feet. Specific customer needs are met by the manufacture of a range of winches with a variety of speeds and sizes. In general, the power and sophistication of the winch is commensurate with the size of the yacht. The sales price of a typical set of winches for a 30 foot yacht is approximately £500. However, a single large winch can retail at up to £10,000. To comply with international racing regulations, winches must be

driven manually on racing yachts and Lewmar supplies linked winch systems where several winches are connected by a series of gearboxes, clutches and couplings to pedestals where up to ten men supply the necessary power. Winches and winch systems are engineered to high specifications to minimise weight and to maximise speed, efficiency and reliability under demanding conditions.

For large cruising yachts, winches can be driven either electrically or hydraulically and Lewmar has pioneered the use of microprocessor-controlled hydraulics with simple "push button" controls. The principal application of these products is where it is desired to minimise the number of the crew.

Deck hardware: The "Lewmar" range of hardware is designed to work together as an integrated system to give an efficient deck layout. Products include solent blocks, boom vang, foot blocks, snatch blocks, mainsail systems, genoa systems and snapshackles.

Mast Control Systems
Rod rigging: The Directors believe that the Group is the world's leading supplier of solid rod rigging systems for yachts. Solid rod rigging has, until recently, been largely restricted to competitive racing and high performance production boats because, although it has advantages over conventional wire rigging in terms of reduced stretch and drag, it is more expensive. As a result, rod rigging currently represents a small proportion of the world's total rigging market. A complete "Navtec" rod rigging system for a 40 foot yacht retails for approximately £2,500. However, recent advances by the Group have decreased the cost differential between rod and wire rigging. "Navtec" rod rigging is therefore increasingly likely to be specified by builders and yachtsmen.

Hydraulic systems: Navtec also manufactures hydraulic pumps and rams, an important part of many larger yachts' overall mast and sail control systems. Hydraulic controls are becoming increasingly used on yachts where a high load must be applied over a short distance. In particular, they allow the crew to bend the mast, and thus control sail shape, more easily. A set of hydraulic controls can sell for as little as £500 for a typical 35 foot yacht, but hydraulics for large, sophisticated yachts can cost up to £28,000.

Others

Hatches: The Group manufactures a range of hatches and portlights for yachts and power boats. These products have been designed to overcome many of the problems associated with traditional hatches and portlights by incorporating a number of innovative features.

Sailing dinghies: In June, 1983, the Group acquired Salskiff Sportscraft Limited ("Salskiff"), whose principal business is the manufacture and distribution of sailing dinghies under the brand name "Tonic". In the year ended 28th February, 1985, this activity accounted for less than one per cent. of Group turnover.

Analysis of Sales

An analysis of the Group's sales by product for the three years ended 28th February, 1985 is set out below:

	1983	1984	1985	1985
£'000	£'000	£'000	£'000	per cent.
Sail control systems	7,312	9,384	10,581	71
Mast control systems	1,629	2,954	2,954	20
Others (including hatches)	575	821	1,275	9
	7,887	11,834	14,810	100

*Navtec was acquired in June, 1983. Sales of mast control systems during the year ended 28th February, 1984 represent Group sales of Navtec products since its acquisition.

The majority of the Group's sales over the last three years is accounted for by sail control products, primarily winches. The Group has, however, reduced its dependence on these products over the same period by successful diversification into product lines with good growth potential. This has been achieved both by the move into mast control systems on the acquisition of Navtec and by a significantly increased penetration into the hatch market.

Sail control products have also provided the major contribution to Group pre-tax profits over the last three years. Increasingly significant contributions have however been earned in 1984 and 1985 from rod rigging and hatch manufacture.

B. SUPPLIERS

The manufacture of the Group's products requires a wide range of base materials and the Group has more than 500 suppliers. In the year ended 28th February, 1985, no single supplier accounted for more than 8 per cent. of total purchases.

C. DESIGN

The Directors place great emphasis on innovation. In the year ended 28th February, 1985, total expenditure on design and development, including externally funded development, amounted to approximately £530,000. The Group employs a well-qualified, inventive and enthusiastic design team, which has pioneered advances in a number of areas, including the development of three-speed winches, the introduction of cross-linking on winch systems and the use of microprocessor-controlled hydraulics.

As in the car industry, international racing is the forum in which the latest equipment is tested



and proven for subsequent volume production. Lewmar is a leading supplier of sailing equipment to racing yachts, and therefore is able to evaluate product innovations under testing conditions, whilst enhancing sales prospects through the publicity attaching to racing success. The design team has recently completed several new projects which are now entering production, including improvements to its more sophisticated winching systems for the 12 metre racing market, a new model of winch for large cruising yachts, an extended range of hydraulic winch systems for small yachts, a redesigned range of rigging screws and a range of portlights.

D. PATENTS

The Directors' policy, where possible, is to obtain and enforce patents on all product innovations. Lewmar has a total of 39 registered patents, 15 pending applications for registration and 10 registered trademarks extending into the 1990's in a number of jurisdictions.

E. MANUFACTURING

The Group manufactures the entire product line, with the exception of certain specialist engineering operations, which are subcontracted.

The manufacturing facilities, details of which are given under "Premises" below, are organised under the "group technology" system. The Company was one of the first organisations in the UK to pioneer this concept. Under "group technology", production is organised into cells. Each cell performs a series of production processes to produce the parts from which finished products are assembled. The process has the advantage of increasing production efficiency by cutting lead times and also has intangible benefits in training employees in a variety of skills and increasing job satisfaction.

The Group has a continuing capital investment programme to update production technology, including the introduction of robotic and CNC (computer numerically controlled) machinery. The combination of this programme and the application of "group technology" has enabled the Group to increase productivity significantly.

Rigorous quality control procedures are employed throughout the manufacturing process to ensure that finished products meet the precise tolerances and specifications required.

F. MARKETING

The Group's marketing strategy has been to establish its own sales and distribution outlets in the principal yacht manufacturing centres around the world and to use independent distributors or agents elsewhere. This policy has given the Group international coverage for its products, on which it has based a high quality customer service to boatbuilders around the globe. The Group's main products are sold under the "Lewmar" or "Navtec" brand names, which enjoy a good reputation with yachtsmen the world over. This enables the Group to market its products as a co-ordinated range of equipment which will provide the discerning buyer with an integrated sailing system for his vessel. The sales team has utilised the Group's reputation for "state of the art" design, quality production and customer service to achieve significant sales growth in recent years.

An analysis of the Group's sales by geographical area for the three years ended 28th February, 1985, is as follows:

	Year ended 28th February,			
	1983	1984	1985	
	£'000	£'000	£'000	per cent.
United Kingdom	809	1,061	1,344	9
Continental Europe	3,941	4,729	6,005	40
North America	2,508	5,073	6,327	43
Rest of the World	629	971	1,134	8
	7,887	11,834	14,810	100

Group sales have improved throughout the period in all major markets. A significant part of the increase in North America resulted from the acquisition of Navtec.

The Group sells almost exclusively to boatbuilders and to independent distributors and agents for supply to smaller manufacturers and ship chandlers. Consequently, the Group has a relatively small number of customers and only rarely supplies equipment directly to the end-user. However, in the year ended 28th February, 1985, the largest customer accounted for less than 5 per cent. of turnover.

PREMISES

The Group's principal manufacturing premises and head office are located at Havant in Hampshire. Additional manufacturing plants are located at Waterford in Ireland and Littleton, Massachusetts in the US.

The Directors believe that the Group's existing manufacturing premises are capable of meeting production requirements for the foreseeable future.

Details of the principal premises occupied by the Group are set out in paragraph 3 of "Statutory and General Information" below.

MANAGEMENT AND EMPLOYEES

DIRECTORS

The Directors of the Company are:

John Burton, MA, Chairman, aged 53, has an engineering degree from Cambridge University. He joined Lewmar Marine Limited in 1966 as Chairman and Managing Director after working with GEC in manufacturing and with McKinsey as a business consultant. Since his appointment, Mr. Burton has been involved in all aspects of the Group's development.

Martin Jay, MA, Managing Director, aged 45, has an economics degree from Oxford University. After seven years with BP, he joined GEC in 1969 and held a number of senior management positions. Prior to joining Lewmar, he was a member of the GEC UK Board of Management and supervisory managing director of three subsidiaries. He was appointed Managing Director of the Company in June, 1985.

Thomas Elissen, BSc (Eng), MSA, aged 42, has overall responsibility for the Group's US operations. The holder of an engineering degree from Princeton University and a Baker Scholar from the Harvard Business School, he worked on the US atomic submarine programme between 1965 and 1970. In 1972, he became a minority shareholder and employee of Navtec and joined the Group in 1983 upon its acquisition of Navtec. He was appointed a Director of the Company in June, 1985.

David Heaton, BSc, FCA, aged 41, is Company Secretary and Director responsible for finance. The holder of a science degree from London University, he qualified as a chartered accountant with Spicer & Pegler. He was employed by Lucas Industries in its automotive and aerospace divisions for eleven years, including five years in North America. Prior to his appointment as a Director of the Company in June 1985, he was corporate treasurer and company secretary of Systime for ten months.

John Huggett, aged 43, is responsible for product design and development, project engineering, quality control and special products in the UK. He joined the Group in 1972 as a design engineer and has had responsibility for technical developments in the Group's UK operations since 1974. Prior to 1972, he had over ten years' previous experience in engineering and design. He was appointed a Director of the Company in June, 1985.

Charles Bystram, BA, non executive, aged 55, is a director of United Biscuits and managing director of United Biscuits International. He joined United Biscuits in 1965, since when he has been involved in marketing and general management. He was appointed a non executive Director of the Company in October, 1984.

EMPLOYEES

As at 28th February, 1985, the Group had a total of 328 employees, including executive directors, of whom 235 were employed in the United Kingdom and Ireland, 79 in North America and 14 in Continental Europe. The Group's employees were broadly divided into Directors and management, 36, production, 228 and technical and administrative, 64.

The Directors believe that they have a committed workforce which welcomes changes in working practices and technology. Staff relations at all levels are good.

The Group provides a pension scheme for its UK employees, which is not contracted out of the State scheme. In addition, the Group provides pension benefits under an executive pension scheme for John Burton. Separate arrangements are in force for certain overseas employees.

The Company established the Lewmar plc Employee Share Option Scheme in December, 1984. Further details of the Scheme, including details of options granted to date, are set out in paragraph 12 of "Statutory and General Information" below. A proportion of the shares being offered for sale has been reserved in the first instance for applications from eligible Directors and employees. Further details are set out in paragraph 13 of "Statutory and General Information" below.

PROFITS AND FINANCIAL POSITION

TRADING RECORD

The table below summarises the results of the Group for the five years ended 28th February, 1985. Further details are set out in the Accountants' Report.

	Year ended 28th February,				
	1981	1982	1983	1984	1985
	£'000	£'000	£'000	£'000	£'000
Turnover	5,832	6,687	7,887	11,834	14,810
Profit before taxation	385	907	1,158	1,821	2,822
Taxation	(77)	(365)	(393)	(652)	(1,156)
Profit after taxation	308	542	765	1,169	1,666
Earnings per share	1.5p	2.6p	3.7p	5.6p	8.0p

During the five years ended 28th February, 1985, the Group's sales have grown strongly in both volume and monetary terms. In the same period, profits before taxation increased by over seven times. Lewmar's strong trading performance reflects underlying growth in sales volumes which have had a more than proportionate effect on profits because of the Group's relatively fixed overhead base. Furthermore, the acquisition of Navtec in June, 1983 has added significantly to Group turnover and profits during 1984 and 1985.

The profits reported for the period have been favourably influenced by the effect of fluctuating exchange rates, particularly the depreciation of sterling against the US dollar. Most of the Group's costs are incurred in sterling but over 75 per cent. of sales are made in foreign currencies. The Directors limit exposure to currency risk, by the use of forward exchange contracts, where considered appropriate.

The Group's taxation has fluctuated throughout the period, reflecting changing profit contributions and tax rates in the various countries in which the Group operates. The impact of taxation has also been affected by the Group's policy of partial provision for deferred taxation in the UK, as a result of which the tax charge has been directly affected by its ability to take advantage of available tax allowances on a continuing basis. The Group's tax charge in relation to profits before taxation rose in 1985 to 41 per cent. reflecting the abolition in the UK of stock relief and the reduction of capital allowances on plant and machinery in that year.

EARNINGS PER SHARE

On the basis of the 20,712,735 Ordinary shares which will be in issue following the offer for sale (excluding the 3,120,000 Ordinary shares now being issued by the Company for cash), the earnings per share for the year ended 28th February, 1985 were 8.0p on the Group's actual tax charge of 41 per cent., and 8.9p on a notional tax charge of 35 per cent.

PRICE/EARNINGS RATIO

At the offer for sale price of 110p, the price/earnings ratio is 13.7 times on the basis of the actual tax charge and 12.4 times on the notional tax charge.

DIVIDENDS

In the absence of unforeseen circumstances, the Directors intend to recommend a final dividend of 1.54p per Ordinary share (2.2p including the associated tax credit) in respect of the year ending 28th February, 1986, which will be payable in August, 1986 and thereafter to pay interim and final dividends in about January and August in each year. If the Company's shares had been publicly held throughout the current year, the Directors would have expected to recommend dividends totalling 2.625p net per Ordinary share. At the offer for sale price, this would have represented a gross dividend yield of 3.4 per cent. and the dividend would have been covered 3.1 times.

THE FUTURE

REASONS FOR AND PROCEEDS OF THE OFFER FOR SALE

The Group's growth to date has been funded through retained profits and borrowings. However, the Directors have decided that it is now appropriate to seek entry to the Unlisted Securities Market, primarily in order to provide access to equity funding to finance future growth. It is the Directors' intention that the Group should continue to expand internationally, both by internal growth and by making acquisitions in related fields. No specific acquisition is being contemplated. The Lewmar plc Employee Share Option Scheme, combined with the market in the Company's shares, will assist the Group in attracting and retaining key executives.

Phillips & Drew are therefore offering for sale 6,000,000 Ordinary shares in the Company, of which 3,120,000 are new shares being issued by the Company and 2,880,000 are being sold by the Trustees of the J. D. Burton Settlement, the principal shareholders of the Company, who will hold 73.8 per cent. of the issued share capital following the offer for sale. The net proceeds of the offer for sale payable to the Company will be approximately £3 million, which will be applied initially to reduce borrowings and to supplement the working capital of the Group.

CURRENT TRADING AND PROSPECTS

Since admission to the Unlisted Securities Market is taking place after only four months of the Group's financial year, the Directors do not consider it prudent for a forecast to be given for the current year. However, the current financial year has started satisfactorily with the Group experiencing a healthy improvement in turnover.

Both trading results and the Balance Sheet will continue to be affected in the future by movements in sterling against the major overseas currencies in which the Group receives the bulk of its income. However, the Directors intend to continue the policy of limiting this exposure by using forward exchange contracts where they consider it prudent and appropriate to do so. In the Group's last completed financial year, this resulted in hedging in terms of sterling of over one third of the Group's net cash flow in non-sterling currencies.

The winch market overall appears to have only modest growth prospects, but the market for large yachts is growing strongly. The Directors believe that Lewmar is well placed to continue to improve sales and profitability in the high specification winch market by an increasing concentration on sophisticated higher added value products. Lewmar already has orders to equip nine 12 metre racing yachts for the next America's Cup in 1987.

The Group has only a small share of the world deck hardware market. However, this market is largely fragmented, with boatbuilders relying heavily upon specialist manufacturers of individual product lines. The Directors believe that the Group's integrated range of sailing systems and equipment and its internationally recognised "Lewmar" and "Navtec" brand names will help to increase its share of the deck hardware market.

"Navtec" rod rigging presents good growth potential. Its merits are well known to yachtsmen and, while at present it accounts for only a small share of the total rigging market, sales of rod rigging are expected to grow rapidly at the expense of conventional wire rigging as rod rigging becomes increasingly competitive in price. Navtec is at the forefront of this market and well placed to benefit from these developments.

Lewmar has a growing presence in the hatch market and a reputation for quality. The Directors expect the Company's market share to continue to grow and Lewmar has recently begun to sell hatches to builders of motor boats, which represents a new market for the Group. A range of portlights has been added this year and has been well received.

The Directors are confident that there is considerable scope for further expansion of the Group's business. Lewmar is in a good position to introduce new products and to take advantage of suitable opportunities to make complementary acquisitions as they arise, because of its reputation for quality and service and also because of its existing international sales and distribution network.

Over the last few years, the Group has grown rapidly and the Directors are confident that the quality of its products will ensure Lewmar's continuing success.

ACCOUNTANTS' REPORT

The following is the text of a Report received from Arthur Andersen & Co., Chartered Accountants, the reporting accountants:

The Directors,
Lewmar plc
The Partners,
Phillips & Drew
Centerton
12th July, 1985

Lewmar plc ("the Company") was incorporated on 28th August, 1969 as Marine Systems Limited and changed its name to Lewmar plc on its re-registration as a public company on 10th June, 1985.

On 1st July, 1985, the Company, through a subsidiary, acquired for cash the entire common stock of Lewmar Marine Systems, Inc. ("LMSI") and its subsidiaries, from the Trustees of a settlement established by J. D. Burton in April, 1966 ("the J.D. Burton Settlement"), who at that date held beneficial ownership of all the common stock of the Company. On 3rd June, 1983, LMSI acquired for cash Navtec Inc. ("Navtec"), from unconnected parties.

On 3rd July, 1985, Waterford Engineering Limited ("Waterford"), another subsidiary of the Company, purchased for cash the trade and trading assets and liabilities of Burton Enterprises (C.I.) Limited (which changed its name from Waterford Engineering Limited on 20th June, 1985), a company also owned by the Trustees of the J. D. Burton Settlement.

The financial information presented below is based on the audited accounts of the Company and its subsidiaries ("the Group") applying the accounting policies set out below, after making such adjustments as we consider necessary. The principal adjustments are those necessary to reflect income and expenditure and related assets and liabilities of Group companies which have been under common management throughout the five years ended 28th February, 1985 so as to arrive at the financial information that would have been reported had those companies formed part of the Group throughout that period.

We have examined the balance sheet of the Company and the consolidated balance sheet of the Group at 28th February, 1985 and the consolidated statements of profit and loss and consolidated statements of source and application of funds for the five years ended on that date, prepared on the basis described above in accordance with approved Auditing Standards.

In our opinion, the financial information shown below, which has been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, gives a true and fair view of the state of affairs of the Company and Group as at 28th February, 1985 and of the profits and source and application of funds of the Group for each of the five years ended 28th February 1981, 1982, 1983, 1984 and 1985 on a consistent basis.

ACCOUNTING POLICIES

The principal accounting policies which have been adopted in presenting the financial information set out in this report are as follows:

(a) **Cost of Acquisition**
The financial information set out below has been prepared under the historical cost convention as modified by the revaluation of certain long leasehold buildings and investments in subsidiary companies.

(b) **Cost of Consolidation**
The financial information includes the accounts of the Company and all of its subsidiaries, prepared on the following bases:

Profit and loss
Income and expenditure of all Group companies are included in the profit and loss accounts from the date of their acquisition by the J. D. Burton Settlement.

Balance sheet
All inter-company transactions have been eliminated.

Balance sheet
The Group balance sheet at 28th February, 1985 has been consolidated using the principle of acquisition accounting. In view of the consideration passing between the parties to acquire those companies which now form the Group, goodwill arising on acquisition (representing the excess of purchase consideration over net assets acquired) has been written off to distributable reserves at the date when the results of subsidiaries acquired fall to be included in the profit and loss account. Any excess of the fair value of net assets acquired over purchase consideration is credited to a non-distributable capital reserve.

All inter-company balances have been eliminated.

(c) **Tangible Fixed Assets**
Long leasehold buildings are shown at original historical cost or subsequent valuation. Other fixed assets are shown at cost.
Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of fixed assets on a straight-line basis over their estimated useful lives as follows:

Long leasehold buildings	— 25 years
Machinery and equipment	— 10 years
Motor vehicles	— 5 years
Furniture and fittings	— 5-10 years

(d) **Intangible Fixed Assets**
Intangible fixed assets comprise patents. The capital cost of patents is amortized over their unexpired life.

(e) **Investment in Subsidiary Companies**
In the Company's balance sheet, investments in subsidiaries are stated at cost, plus such portion of the increase in underlying net assets of its subsidiaries since acquisition as will reflect in the accounts of the Company the full net asset value of those subsidiaries. Such revaluations are credited to a non-distributable revaluation reserve. Only dividends received or receivable are credited to the Company's profit and loss account.

The Directors consider this policy, as opposed to stating investments at cost, more fairly represents the Company's investment.

(f) **Current Asset Investments**
Current asset investments are stated at cost.

(g) **Stocks**
Stocks are stated at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is based on:

Raw materials	— purchase cost on a first-in, first-out basis
Work-in-progress and finished goods	— cost of raw materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity

Net realisable value is based on estimated normal selling price less further costs expected to be incurred on completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

(h) **Taxation**
Tax on corporate profits is provided at the rate in force in the relevant jurisdiction during each accounting period.

Deferred taxation is not provided where, in the opinion of the Directors, there is reasonable evidence that such taxation will not become payable in the foreseeable future (at least three years) and there is no indication that the situation is likely to change thereafter.

Deferred taxation represents the amount required to allow for the effect of certain items of income and expense being attributable for tax purposes to periods different from those in which credits or charges are recorded in the accounts.

(i) **Pension Costs**
Pension liabilities are funded on the advice of external actuaries, by payments to independent trusts or to insurance companies. Payments made to the funds and charged in the accounts comprise current and past service contributions. Independent actuarial valuations on a going concern basis are carried out every three years.

(j) **Foreign Currency**
Normal trading transactions denominated in foreign currencies are recorded in sterling at the exchange rates on the dates of the transactions. Monetary assets and liabilities are reported at the rates of exchange prevailing in the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reflected in the profit and loss account.

In the Group accounts, and for the purposes of the valuation of investments in the accounts of the Company, the closing rate/net investment method is used under which translation gains or losses are shown as a movement on reserves. Profit and loss accounts are translated at the average exchange rates.

(k) **Turnover**
Group turnover comprises the value of sales (excluding VAT, trade discounts and intra-group transactions) of goods and services in the normal course of business.

(l) **Research and Development**
All research and development costs are written off as incurred.

(m) **Revaluation Reserve**
The surplus arising on the revaluation of long leasehold properties and the Company's share of the post acquisition revaluation profits and reserves of its subsidiaries are credited to a revaluation reserve, which is not distributable. Where depreciation charges are increased following a revaluation, an amount equal to such increase is transferred annually from this reserve to the profit and loss account. On the disposal of a revalued asset, any remaining revaluation surplus corresponding to the item is also transferred to the profit and loss account.

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

	Notes	1981	1982	1983	1984	1985
		£'000	£'000	£'000	£'000	£'000
Turnover	1, 2	5,832	6,687	7,887	11,834	14,810
Cost of sales		(4,270)	(4,059)	(4,587)	(8,148)	(9,622)
Gross profit		1,562	1,628	3,300	3,716	5,188
Other operating expenses	3	(1,175)	(897)	(1,171)	(1,937)	(2,380)
Other income/expenses, net	4	(2)	(24)	29	42	17
Profit on ordinary activities before taxation		385	907	1,158	1,821	2,822
Taxation on profit on ordinary activities	5	(77)	(365)	(393)	(652)	(1,156)
Profit for the year	6	308	542	765	1,169	1,666
Proposed dividend		—	—	—	—	(1,000)
Retained profit for the year		308	542	765	1,169	666
Earnings per share	7	1.5p	2.6p	3.7p	5.6p	8.0p

BALANCE SHEETS AT 28TH FEBRUARY, 1985

	Notes	Group	Company
		£'000	£'000
Fixed assets:			
Intangible assets	8	77	—
Tangible assets	9	2,297	—
Investment in subsidiaries	10	—	5,318
		2,374	5,318
Current assets:			
Stocks	11	5,502	—
Debtors	12	3,871	1,734
Investments	13	510	510
Cash at bank and in hand		964	9
		10,968	2,253
Creditors—Amounts falling due within one year	14	(4,962)	(1,027)
Net current assets		6,006	1,226
Total assets less current liabilities		8,380	6,544
Creditors—Amounts falling due after more than one year	15	(1,769)	—
Provisions for liabilities and charges	16	(167)	—
Net assets		6,544	6,544
Capital and reserves:			
Called-up share capital	17	4,400	4,400
Capital reserve	18	160	817
Revaluation reserve	18	373	1,398
Profit and loss account	19	1,621	746
Total capital employed		6,544	6,544

CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

	Year Ended 30th February				
	1981 £'000	1982 £'000	1983 £'000	1984* £'000	1985 £'000
Source of funds:					
Profit before taxation	385	907	1,158	1,821	2,822
Add/(deduct) : items movement of funds during the year:					
Depreciation of tangible fixed assets	184	151	293	392	459
Exchange adjustments and others	(211)	6	(15)	(84)	240
Total funds from operations	358	1,064	1,436	2,129	3,521
Sale of tangible fixed assets	90	3	59	67	31
Loans received	—	—	—	289	334
	628	1,067	1,495	2,485	3,886
Application of funds:					
Purchase of tangible fixed assets	167	105	459	774	886
Purchase of intangible fixed assets	—	180	—	71	—
Taxation paid	—	190	24	440	488
Repayment of loans	4	7	5	—	—
Increase/(decrease) in working capital:					
Stocks	(817)	312	(114)	1,022	2,081
Debtors	99	290	160	817	805
Investments	—	400	10	10	—
Creditors falling due within one year	252	(349)	65	(638)	(515)
	(119)	1,055	599	2,499	3,745
Movement in net liquid funds	827	12	896	(14)	141
Represented by:					
Increase/(decrease) in cash at bank and in hand	661	6	908	327	746
(Increase)/decrease in short term bank loans and overdrafts	83	6	(12)	(341)	(605)
	827	12	896	(14)	141

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6. Directors' Service Agreements

(a) The following is a summary of the terms of the Directors' service agreements with the Company or its subsidiaries:

Director	Employer	Date of commencement	Initial period	Employer's period of notice	Current annual basic salary (subject to annual review)
J.D. Burton	The Company	17th July, 1985	3 years	12 months	£60,000
M. Jay	The Company	20th June, 1985	3 years	12 months	£51,500
T.R. Elissen	Navtec Inc	3rd June, 1983	5 years	—	US\$115,100
D.L. Heaton	The Company	6th June, 1985	6 months	6 months	£30,000
R.O.J. Huggatt	The Company	17th July, 1985	3 years	6 months	£30,000

The Company has a discretionary bonus scheme under which the Directors may award amounts to executive Directors as a group, or to an individual Director, based on the performance of the Company and its subsidiaries. The bonus is payable in cash or in shares, at the discretion of the Directors. For the year ending 23rd June, 1986 only, the Company has agreed to pay to M. Jay a fixed bonus of £41,000.

(b) Save as disclosed in (a) above, there are no existing or proposed service or consultancy agreements between any Director and the Company or its subsidiaries which are not determinable by the Company or its subsidiaries without payment of compensation (other than statutory compensation) within one year.

(c) The Company has effected "key man" term assurance policies on the lives, respectively, of J.D. Burton until 24th May, 1988 in the sum of £500,000 and of R.D.J. Huggatt until 1st July, 1986 in the sum of £250,000. Navtec has effected an annually renewable "key man" term assurance policy on the life of T.R. Elissen in the sum of US\$500,000.

(d) The estimated aggregate Directors' emoluments, excluding the discretionary bonuses referred to in (a) above and excluding pension contributions, for the year ending 23rd June, 1986, are £310,000. The Directors who served during the year ended 28th February, 1985 were J.D. Burton and Mrs. O.J. Burton (who ceased to be a Director on 25th June, 1985), whose aggregate emoluments for the period were £130,000.

7. Articles of Association

The Articles of Association of the Company, which were adopted on 22nd May, 1985 and amended on 12th July, 1985, contain provisions, inter alia, to the following effect:

(i) Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property, and assets, present and future, and to do all such other things as may be necessary for the purposes of the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in relation to its subsidiary companies so as to secure the same, as by such exercise they can secure that the aggregate amount for the time being remaining outstanding of all monies borrowed by the Company and its subsidiaries and owing to third parties shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to two and one half times the Adjusted Capital and Reserves (calculated and adjusted as provided in the Articles).

(ii) Directors

(a) A Director is not required to hold any qualification shares.

(b) The remuneration of the Directors shall be determined by the Company and shall (unless otherwise determined) be divisible among the Directors as they may agree, or, failing agreement, equally. The Directors may be paid all reasonable expenses incurred by them in attending meetings of the Directors or committees of the Directors or general meetings of the Company or otherwise in or about the business of the Company.

(c) A Director who holds any executive office or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration as the Directors may determine.

(d) The Directors may pay a pension or other retirement, superannuation, death or disability benefits to, or to any persons in respect of, any Director or ex-Director.

(e) The Directors may from time to time appoint one or more of their body to be the holder of any executive office on such terms and for such period as the Directors may determine.

(f) The statutory provisions as to the retirement of Directors at age 70 apply to the Company.

(g) A Director may be party to or in any way interested in any contract or agreement or transaction to which the Company is a party or in which the Company is interested, and he may hold any office or position of profit or office or place of profit (other than that of auditor under the Company or other company in which the Company is in any way interested and he for any firm of which he is a member) may act in a professional capacity for the Company or for any other company and he may be remunerated therefor and in any such case as aforesaid, save as otherwise agreed, he may retain for his own absolute use and benefit all profits and advantages accruing to him thereunder or in consequence thereof.

(h) Except in the particular circumstances specified in the Articles, a Director shall not vote or be counted in the quorum in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company.

The particular circumstances referred to above in which a Director may vote or be counted in the quorum are—

(i) The giving of any security or indemnity to the Director in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) The giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or part under a guarantee or indemnity or by the giving of security;

(iii) Any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which the Director or he is to be interested as a participant in the underwriting or sub-underwriting thereof;

(iv) Any proposal concerning any other company in which the Director is interested, directly or indirectly, and whether as an officer or shareholder or otherwise, provided that he is not the holder of or beneficially interested in one per cent, or more of the issued shares of any class of such company or of any third company through which his interest is derived or of the voting rights available to members of the relevant company;

(v) Any proposal concerning the adoption, modification or operation of a superannuation fund, or retirement benefits scheme or employees' share scheme, under which the Director may benefit and which has been approved, or is subject to and conditional upon approval by, the Board of Inland Revenue for taxation purposes;

(vi) At each annual general meeting of the Company, one third of the Directors for the time being (excluding any Director holding office as an Executive Chairman or as Managing or Joint Managing Director) shall retire from office by rotation; and

(vii) Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two nor more than ten.

(iii) Votes of members

Subject to the voting rights which may from time to time be attached to any shares of the Company, on a show of hands every member holding shares present in person shall have one vote and upon a poll every member present in person or by proxy shall have one vote for every share held by him. A corporation holding shares may authorise such person as it thinks fit to act as its representative at any general meeting. In the case of equality of votes, the Chairman shall be entitled to a casting vote.

(iv) Variation of rights

The rights attached to any class of shares may be abrogated or varied either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class.

8. Material Contracts

The following contracts, not being contracts in the ordinary course of business, have been entered into within the period of two years immediately preceding the date of publication of this prospectus and are, or may be, material:

(a) Agreement dated 1st July, 1985 between the Trustees of the J.D. Burton Settlement and Lewmar Netherlands B.V. relating to the transaction referred to in paragraph 11(i) above.

(b) Agreement dated 3rd July, 1985 between Burton Enterprises (C.I.) Limited and Waterford Engineering Limited relating to the transaction referred to in paragraph 11(i) above.

(c) Memorandum of agreement dated 1st June, 1985 confirming the terms of an oral agreement made in December, 1984 between the Company and C. A. System, relating to the transaction referred to in paragraph 11(i) above.

(d) The offer for sale agreement referred to in paragraph 4 above.

9. Working Capital

The Directors are of the opinion that, after taking into account the net proceeds of the offer for sale payable to the Company, the Group will have sufficient working capital for its present requirements.

10. Taxation

(a) The Directors have been advised that, following completion of the offer for sale, the Company will be a close company within the meaning of the Income and Corporation Taxes Act 1970.

(b) Under the offer for sale agreement referred to in paragraph 4 above, the Trustees of the J.D. Burton Settlement have undertaken to indemnify the Company and its subsidiaries against certain taxation liabilities including capital gains tax, income tax and estate duty.

(c) Clearance for the reorganisation transactions preceding the offer for sale referred to in paragraphs 10(i), (b) and (d) above and the offer for sale has been obtained from the Inland Revenue under Section 464 of the Income and Corporation Taxes Act 1970. The consent of the Treasury to the establishment of Lewmar Netherlands B.V. and Waterford Engineering Limited have been obtained under Section 462 of the Income and Corporation Taxes Act 1970. A further clearance application under Section 464 of the Income and Corporation Taxes Act 1970 was made on 3rd July, 1985 in respect of the transactions referred to in paragraphs 10(vi) and (v) above. The Company has been advised that the clearance is likely to be forthcoming.

(d) The Inland Revenue have confirmed that they do not propose to make an apportionment under the provisions of Schedule 16 of the Finance Act 1972 in respect of any Group companies for any accounting periods ended between 28th February, 1980 and 28th February, 1984 inclusive.

11. Minimum Subscription

No minimum amount is required to be raised for the purposes described in paragraph 2(a) of Part 1 of Schedule 3 to the Companies Act 1985.

12. Lewmar plc Employee Share Option Scheme

On 21st December, 1984, the Company adopted the Lewmar plc Employee Share Option Scheme ("the Scheme"), which, as an application to UK employees, has been approved by the Inland Revenue under the provisions of the Finance Act 1984. As referred to in paragraph 11(i) above, the Scheme was amended on 25th June, 1985. The Scheme enables the Directors to grant at their discretion to full-time employees (including executive Directors) of the Company and its subsidiaries who are not within two years of normal retirement date options over such number of Ordinary shares (subject to the limitations referred to below) as the Directors may determine. Options may in normal circumstances be exercised between the third and tenth anniversaries of their grant and entitle the option holder to subscribe for Ordinary shares at the subscription price which will not be less than the market value of the shares on the date of grant, in the case of options granted to UK employees, it is to be determined by the auditors and agreed with the Shares Valuation Division of the Inland Revenue. No individual may obtain rights under the Scheme or any other share option scheme (other than a savings-related scheme established by the Company or an associated company which would, if those rights were exercised at the time they were granted, result in the individual acquiring shares with an aggregate market value calculated at the date the rights were obtained in excess of four times his remuneration as set out in the Rules of the Scheme. The total number of Ordinary shares over which options may be granted under the Scheme may not exceed 2 1/2 per cent. of the issued share capital of the Company at the date of grant of the option (currently 1,287,455 Ordinary shares). In addition, not more than 3 per cent. 14 per cent. in the first year or operation of the Scheme of the issued share capital of the Company may be made available for all employee share schemes of the Company and associated companies in any year and the two preceding calendar years and not more than 10 per cent. of the issued share capital of the Company may be made available over a ten year period for all employee share schemes of the Company and associated companies. In calculating such limits, no account shall be taken of options granted before 31st May, 1985.

The Directors may subject to the approval of the Inland Revenue from time to time amend the Scheme, save that the following provisions shall not be altered to the detriment of participants without the prior approval of the Company in general meeting:

- the persons to whom, or for the benefit of whom, securities may be issued under the Scheme;
- the total amount or number of the securities subject to the Scheme;
- the maximum entitlement of any participant under the Scheme;
- the determination of the subscription or option price; and
- the voting, dividend, transfer and other rights, including those arising on a liquidation of the Company, attaching to options and to the shares liable to exercise of options.

At the date of this prospectus, options have been granted under the Scheme in respect of a total of 909,815 shares.

13. Preferential Application Rights

Up to 600,000 Ordinary shares, representing 10 per cent. of the Ordinary shares now being offered for sale, are reserved in the first instance for preferential applications from eligible Directors and employees of the Group, other than citizens or residents of the USA or its territories or Canada, at the offer for sale price. Such applications must be made on the special pink application forms which are available to such employees for the purpose. Applications from employees must be for a minimum of 100 Ordinary shares. In the event of excess applications being received from employees, the basis of allocation among them will be determined by Phillips & Drew in their absolute discretion.

14. Registration

Copies of this prospectus have been delivered to the Registrar of Companies for registration, each copy having attached to it copies of the application forms, together with the statement of adjustments made in the Reporting Accounts, the consent referred to in paragraph 13(c) below and the contracts referred to in paragraph 8 above.

15. General

(a) The Group is plaintiff in two actions against a competitor alleging infringement of certain of its patents. One case, in the USA, has involved the Group in significant legal expenses, details of which appear in Note 20(b) to the Accounts' Report above. In the other action, in the UK, the Group has obtained an interlocutory injunction. In these proceedings, the defendant is counterclaiming for revocation of the patent involved. The Directors believe that each of the Group's claims is soundly based. There is no other litigation or claim of material importance involving the Group pending or threatened.

(b) There has been no material change in the financial or trading position of the Group since 28th February, 1985, the date to which the latest audited consolidated accounts of the Group were made up.

(c) Arthur Andersen & Co. have given and not withdrawn their written consent to the issue of this prospectus with the inclusion herein of the Accounts' Report and with the references to their name in the form and context in which they appear.

(d) The financial information concerning the Company and each of its subsidiaries contained in this prospectus does not amount to full individual accounts within the meaning of Section 235 of the Companies Act 1985. Individual accounts, as required by the Companies Act 1985, have been or will be delivered to the Registrar of Companies in respect of the Company and its UK subsidiaries for the period covered by the Accounts' Report set out above. Arthur Andersen & Co. have made a report under Section 236 of the Companies Act 1985 in respect of each set of accounts so delivered and each such report was an unqualified report.

16. Documents for Inspection

Copies of the following documents may be inspected at the offices of Linklaters & Paines, Barrington House, 59-67 Gresham Street, London EC2 during usual business hours on weekdays (Saturdays and public holidays excepted) for a period of fourteen days from the date of publication of this prospectus:

- The Memorandum and Articles of Association of the Company;
- The audited accounts of the Company, Burton Enterprises (C.I.) Limited and Navtec and the accounts of Lewmar Marine Inc. for their last three respective accounting periods;
- The Accounts' Report together with the statement of adjustments relating thereto;
- The material contracts referred to in paragraph 8 above;
- The Directors' service agreements referred to in paragraph 6 above;
- The written consent referred to in paragraph 15(c) above; and
- The Rules of the Lewmar plc Employee Share Option Scheme.

12th July, 1985

PROCEDURE FOR APPLICATION

REQUIREMENTS FOR APPLICATION

Applications (other than employee applications) must be made on the accompanying application form which, together with a sterling cheque or banker's draft for the full amount payable on application, should be delivered or posted to Barclays Bank PLC, New Issues Department, PO Box 123, Fleetway House, 25 Farringdon Street, London EC4A 4HD so as to arrive not later than 10.00 a.m. on Monday, 22nd July, 1985. Photostat copies of application forms will not be accepted.

2. Applications must be for a minimum of 200 shares and thereafter in multiples of 200 shares up to 1,000 shares; in multiples of 500 shares up to 5,000 shares; in multiples of 1,000 shares up to 10,000 shares; and in multiples of 5,000 shares thereafter.

APPLICATION FORM

The application list for the Ordinary shares now offered for sale will open at 10.00 am on Monday 22nd July 1985 and may be closed at any time thereafter. This application form when completed must be lodged with or posted to Barclays Bank PLC, New Issues Department, P.O. Box 123, Fleetway House, 25 Farringdon Street, London EC4A 4HD, together with a cheque/banker's draft representing payment in full at the offer for sale price so as to be received not later than 10.00 am on 22nd July 1985. Photostat copies of application forms will not be accepted.

A separate cheque or banker's draft must accompany each application form. Cheques and banker's drafts, which must be drawn in sterling on a branch in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided for the members of those Clearing Houses and must bear the appropriate sorting code number in the top right hand corner, must be made payable to "Barclays Bank PLC" and crossed "Not Negotiable". Applicants are strongly advised to use first class post and to allow two days for delivery.

LEWMAR plc

(Incorporated in England under the Companies Acts, 1948 to 1967. Registered Number 960932)

Offer for Sale

by
Phillips & Drew
of

6,000,000 Ordinary shares of 25p each at 110p per share payable in full on application

*Applications must be for a minimum of 200 Ordinary shares and thereafter must be in the following multiples of Ordinary shares:—

Applications up to 1,000 shares	• multiples of 200 shares
Applications for over 1,000 shares up to 5,000 shares	• multiples of 500 shares
Applications for over 5,000 shares up to 10,000 shares	• multiples of 1,000 shares
Applications for over 10,000 shares	• multiples of 5,000 shares

To: PHILLIPS & DREW

I/We enclose a sterling cheque or banker's draft payable to Barclays Bank PLC, for the above mentioned sum, being the amount payable in full on application for the stated number of Ordinary shares of 25p each in Lewmar plc ("the Company") at 110p per share. I/We offer to purchase that number of shares and I/We agree to accept the same or any smaller number in respect of which this application may be accepted upon the terms of the prospectus dated 12th July, 1985 and subject to the Memorandum and Articles of Association of the Company. I/We request that you send to me/us a fully paid renounceable Letter of Acceptance in respect of such shares, together with a cheque for any moneys returnable without interest, by post at my/our risk to the address first given below and procure that my/our name(s) be placed on the Register of Members of the Company as holder(s) of such of the shares allocated to me/us (if any) as have not been duly renounced.

In consideration of Phillips & Drew agreeing to accept applications upon the terms and subject to the conditions of the said document for an aggregate number of 6,000,000 Ordinary shares of 25p each of the Company I/We agree that this application shall be irrevocable until 4th August, 1985 and that this paragraph shall not constitute a collateral contract between me/us and Phillips & Drew which shall become binding upon despatch by mail or delivery of this application form to Barclays Bank PLC duly completed.

I/We understand that the completion and delivery of this application form, accompanied by a cheque, constitutes a warranty that the same will be honoured on first presentation. I/We acknowledge that a renounceable Letter of Acceptance and any cheque for any moneys returnable to me/us are liable to be held pending clearance of all applicants' cheques and banker's drafts.

Dated.....1985

1. Signature

PLEASE
USE
BLOCK
CAPITALS

.....
.....
.....
.....
.....

- Forename(s) (in full)
- Surname and designation (Mr, Mrs, Ms, or Title)
- Address (in full)

(In the case of joint applications all further applicants must sign and complete below)

2. Signature

Forename(s) (in full)

Address (in full)

Surname and designation (Mr, Mrs, Ms, or Title)

3. Signature

Forename(s) (in full)

Address (in full)

Surname and designation (Mr, Mrs, Ms, or Title)

4. Signature

Forename(s) (in full)

Address (in full)

Surname and designation (Mr, Mrs, Ms, or Title)

Any signature on behalf of a Corporation should be that of a duly authorised official who should state his representative capacity. If this form is signed under a Power of Attorney, such Power of Attorney or a duly certified copy must accompany this form. No receipt will be issued for the payment on application but an acknowledgement will be forwarded through the post in due course, either by a fully paid renounceable Letter of Acceptance for all or part of the shares applied for and/or a cheque for any application moneys returnable, in each case, at the risk of the applicant.

*Number of shares for which application is made	Amount enclosed at 110p per share
	£

FOR OFFICIAL USE ONLY

- Acceptance number
- Number of shares accepted
- Amount received
- Amount payable
- Amount returned
- Cheque number



FT COMMERCIAL LAW REPORTS

Referential offer cannot be accepted in fixed bidding sale

HARVELA INVESTMENTS LTD v ROYAL TRUST COMPANY OF CANADA (CI) LTD AND OTHERS
House of Lords (Lord Fraser of Tullybelton, Lord Edmund-Davies, Lord Bridge of Harwich and Lord Templeman): July 11, 1985

AN INVITATION to specified persons to make confidential offers for the purchase of shares, with an undertaking by the vendor to accept the highest offer, gives rise to a fixed bidding sale in the absence of express provision for auction; and in such circumstances the offer by one prospective buyer of an unaccepted offer to another is invalid and cannot be accepted.

The House of Lords held when allowing an appeal by Harvela Investments Ltd from a Court of Appeal decision that a company's offer to purchase shares in the Royal Trust Company of Canada (CI) Ltd for offers to purchase its shares in a company had resulted in a sale to Sir Leonard Outerbridge and not to Harvela.

LORD TEMPLEMAN said that the House of Lords had held in *Harvela Investments Ltd v Royal Trust Company of Canada (CI) Ltd* that a company's offer to purchase shares in the Royal Trust Company of Canada (CI) Ltd for offers to purchase its shares in a company had resulted in a sale to Sir Leonard Outerbridge and not to Harvela.

On September 15 1981 Royal Trust invited Harvela and Sir Leonard to submit offers for its shares by sealed tender or confidential letter . . . by 3 pm September 16 1981 on the following terms:

1. These tenders are a single offer.

2. That payment . . . shall be within 30 days of September 16 1981.

3. In the event that closing shall not take place within 30 days other than by reason of any delay on our part interest shall be payable by the purchaser at a rate of . . .

4. The offeror shall confirm that if any offer made by you is the highest offer . . . we bind ourselves to accept . . .

5. Harvela offered C\$217,500. Sir Leonard offered C\$210,000 more than Harvela's fixed bid.

Mr Justice Gibson found in favour of Harvela. The Court of Appeal found in favour of Sir Leonard.

Harvela appealed. Harvela's offer was accepted.

A vendor who undertook to sell to the highest bidder could conduct the sale by auction or by fixed bidding.

In an auction sale each bidder might adjust his bid by reference to rival bids. In a fixed bidding sale a bidder might not adjust his bid.

A vendor chose between a fixed bidding sale and an auction sale. A bidder could only choose to participate in the sale or to abstain.

The ascertainment of Royal Trust's choice between a fixed bidding sale and an auction sale by reference to its presumed intention to be deduced from the terms of the invitation read as a whole.

The invitation contained three provisions which were consistent only with the presumed intention to create a fixed bidding sale. First, Royal Trust undertook to accept the highest offer; that showed it was anxious that a sale should result from the invitation.

Second, it extended the same invitation to Harvela and Sir Leonard; that showed it was anxious that each of them and nobody else, should be given an equal opportunity to purchase the shares.

Third, it insisted that offers must remain confidential until the specified time; that showed it was anxious of provoking offers of the best price each was prepared to pay, in ignorance of the other's bid.

A fixed bidding sale met all Royal Trust's requirements deducible from the terms of the invitation. It was bound to result in a sale of shares, gave an equal opportunity to Harvela and Sir Leonard to acquire the shares, and provided the best price.

If the invitation were construed so as to create an auction sale, those requirements could not be met.

First, if referential bids were permissible, there was a danger, far from negligible, that the sale might be abortive and the shares remain unsold. The shares would only be sold if at least one bidder submitted a fixed bid and the other bidder's referential offer on that fixed bid.

Second, if referential bids were permissible, there was also a possibility, which in fact occurred, that one bidder would never have an opportunity to buy Harvela could not win and Sir Leonard could not lose.

Third, if referential bids were permissible, Royal Trust's object of provoking the best price was frustrated. Sir Leonard could have achieved the same purpose by offering one dollar more than Harvela.

Finally, if referential bids were permissible by implication, the results could have been bizarre. If Harvela had bid C\$210,000 or \$1 more than Sir Leonard's fixed bid, Sir Leonard would have become the purchaser with his referential bid of C\$210,000 as against Harvela's fixed bid, C\$210,000 or \$1 more than Sir Leonard's fixed bid, Harvela would have been the purchaser at its referential bid of C\$210,000 as against Sir Leonard's fixed bid.

It would have been possible for Royal Trust to conduct an auction sale through the medium of confidential referential bids, but only by making express provision in the invitation for that purpose.

To constitute a fixed bidding sale, all that was necessary was that Royal Trust should invite confidential offers and undertake to accept the highest offer.

Such was the form of the invitation. It followed that the invitation on its true construction created a fixed bidding sale and that Sir Leonard was not entitled to submit and Royal Trust was not entitled to accept a referential bid.

The decision in *South Hettion Cool (1985) 1 Ch 465* where a referential bid was held to be invalid, would be followed.

It was argued that *South Hettion* was distinguishable because the vendors undertook to accept "the highest net money tender" whereas in the present case it was "the highest offer". That argument sought to elevate a trivial reference into a legal distinction.

South Hettion was followed by the majority in the New York Court of Appeals in *Sky Investors (1982) 449 NYS 2d 173, 174-175*.

The majority judgment succinctly and cogently summarised the reasons for rejecting referential bids: "The very essence of sealed competitive bidding is the submission of independent bids in the absence of knowledge of the bids of others. In the present case, the submission by one bidder of a bid dependent for its definition on the bids of others is invalid and unacceptable."

The second question raised in the present appeal related to Sir Leonard's claim that on September 29 1981 Royal Trust accepted his referential offer of C\$210,000, so as to create a contract independent of the invitation. He sought damages for Royal Trust's breach of the alleged second contract.

It was clear that Royal Trust had acted under the erroneous belief that Sir Leonard's referential bid entitled him to the shares.

If he was already entitled to the shares a second contract was unnecessary. If Harvela was entitled to them, a second contract to sell to Sir Leonard was unthinkable. Accordingly, no second contract came into existence.

The third question was whether Royal Trust was entitled, under clause 5 of the invitation, to interest on the purchase price in that closing failed to take place within 30 days "other than by reason of any delay" on its part.

The sale was not completed because Royal Trust declined, mistakenly, to recognise and fulfil its duties under the invitation to sell to Harvela. Failure to complete was due to delay on Royal Trust's part. It was therefore entitled to interest at the contractual rate.

Harvela could have paid the purchase price into court where it would have earned interest. It had the use of it for nearly four years, and would benefit from the profits made by the company since September 16 1981.

In the circumstances it would be unconscionable for Harvela to enjoy the purchase price and the benefit of the profits.

Royal Trust was contractually bound to transfer the shares to Harvela and, as a condition of specific performance, Harvela should pay Royal Trust interest at the short-term investment rate. Harvela would be entitled to the preferential dividends received by Royal Trust in respect of the shares since October 15, 1981.

Lord Fraser and Lord Edmund-Davies agreed. Lord Bridge gave a concurring judgment.

LORD BRIDGE, also concurring, said that Sir Leonard's referential bid could not be quantified without reading into it the amount of Harvela's fixed bid. To do that before 3 pm September 16 would have been a breach of the undertaking not to disclose details of any offers to Harvela and unacceptable.

For Harvela: Michael Essanyan QC and Michael Driscoll (Slaughter & May).

For Royal Trust: Edward Nugee QC and Oliver Weaver (Buckley & Co.).

For Sir Leonard: Leolin Price QC and James Demingson (McKenna & Co.).

By Rachel Davies Barrister

Mr J. Roger Woolley, chief executive of DRG UK, has taken on additional responsibility for DRG's overseas operations and from September 1 will become group chief executive.

Mr Woolley, who joined DRG in 1980, has been a director of DRG since 1979.

Viscount De L'Isle has been appointed chairman of CITY ACRE PROPERTY INVESTMENT TRUST. He succeeds Mr R. G. Turner, who has stood down as chairman for personal reasons.

Mr John Eric Tiley has joined the partnership of BUCKMASTER & MOORE, stockbrokers.

DATASERV INC has made the following appointments to its senior management: Mr David P. Donovan becomes director and general manager of European operations from managing director. He also assumes overall responsibility for the group's companies in West Germany and the Netherlands. Mr Peter G. Hall becomes director and general manager - UK from sales director.

Mr Alexander Derbie has been appointed company secretary by HIGGS AND HILL, based in New Malden. He will be responsible for all secretarial and legal services for the UK and overseas construction and property companies. Mr Derbie has for several years been providing legal services for the international construction activities of the Tarmac Group in Wolverhampton.

SUN LIFE INVESTMENT MANAGEMENT SERVICES, the investment management arm of the Sun Life Group, has appointed Mr David Webb as associate director (marketing) with responsibility for the sales and marketing of group managed funds and the development of segregated funds.

THE LINKED LIFE ASSURANCE GROUP has elected a new chairman: Mr Fred Danvers, assistant general manager of Cornhill Insurance, has replaced Mr Alan Roberts. Mr Roberts will continue as an ex-officio member of the committee.

Mr Jeff Lacombe has been appointed to the board of EROS MAILING CO, where he is a regional director of the sales, merchandising and promotion support services Midlands operation.

Mr Steve Dixon has been appointed managing director of LEX LOGISTICON, a joint

venture company set up by Lex Service Logistics Inc. of America. He was group manager, Lex Hire and Leasing. Mr Dixon has now been seconded to Lex Computer Products with a brief to develop and develop a group strategy in commercial and industrial areas of computer products.

Mr Bryan Watkins, governor of BUPA and former director of Samuel Montagu has joined the board of MANCHESTER EXCHANGE GROUP AND MANCHESTER EXCHANGE TRUST.

Mr Murray P. Macmillan is to join the board of COLLINS WILDE. He is chairman and managing director of Anchor Development and subsidiary companies.

Mr R. W. Mattes, chairman of THE UNILEVER MEAT GROUP UK, will retire on January 7. A single share is to be formed for The Wall's Meat Co. and Mattes Meats early in 1986 and Mr W. K. K. chairman of Unilever Vleetsgroep - Netherlands BV, Netherlands, will become chairman of this board on the retirement of Mr Mattes.

Mr Julian Trengrove has been appointed a director of SAVE & PROSPER GROUP. As investment services director he will continue to be responsible for the investment services department and will also be responsible for co-ordinating Save & Prosper support to Montagu Leobli Stanley, stockbrokers, which Save & Prosper has agreed to buy and which will then concentrate on the development of asset management services for private clients.

Mr Robert Fyfe-Jones has been appointed chief executive of BRAMMER and Mr Barry Ralph has been appointed chief operating officer / deputy chief executive.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abney Unit Trust Mgt. (a) 10, Abney Rd, London, EC2A 4EJ 01-423 7173	Brown Shipley & Co. Ltd. (a)(g) 10, Abney Rd, London, EC2A 4EJ 01-423 7173	S. & A. Trust (a) 10, Abney Rd, London, EC2A 4EJ 01-423 7173	Lloyds R. Unit Tr. Mgt. (a) 10, Abney Rd, London, EC2A 4EJ 01-423 7173
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Manufacturers Life Insurance Co (UK) Property Growth Assur. Co. Ltd.

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INSURANCE, OVERSEAS & MONEY FUNDS

Scottish Life Investments 19 St Andrew Square, Edinburgh 031-225 2211	San Life Insurance Ltd. 100 St Vincent St, Glasgow 041-208 4221	Scottish Mutual Assurance Society 100 St Vincent St, Glasgow 041-208 4221	Scottish Widows' Group 100 St Vincent St, Glasgow 041-208 4221	Standard Life Assurance Co. Ltd. 100 St Vincent St, Glasgow 041-208 4221	Standard Life Assurance Co. Ltd. 100 St Vincent St, Glasgow 041-208 4221	Standard Life Assurance Co. Ltd. 100 St Vincent St, Glasgow 041-208 4221	Standard Life Assurance Co. Ltd. 100 St Vincent St, Glasgow 041-208 4221	Standard Life Assurance Co. Ltd. 100 St Vincent St, Glasgow 041-208 4221	Standard Life Assurance Co. Ltd. 100 St Vincent St, Glasgow 041-208 4221
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OFFSHORE AND OVERSEAS

OPTIONS

3-month call rates

Industrial	10	10
Aluminium	10	10
Steel	10	10
Oil	10	10
Grain	10	10
Metals	10	10
Chemicals	10	10
Textiles	10	10
Food	10	10
Services	10	10

COMMODITIES AND AGRICULTURE

Aluminium demand expected to rise

By Our Commodities Staff

PRIMARY ALUMINIUM consumption in Europe and North America is likely to improve moderately in the second half of this year, but will still be slightly below volume in the equivalent period of 1984.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

	(tonnes)
Aluminium	+2,450 to 125,550
Copper	+4,525 to 120,125
Lead	-725 to 35,175
Nickel	+150 to 5,685
Tin	+485 to 23,255
Zinc	-625 to 34,075
Silver	+134,900 to 50,262,000

according to the latest projection by analysts Chase Econometrics.

It points out that production cutbacks have not yet brought about the supply deficit which producers are hoping will eventually drive up prices. "An improved market balance, and higher aluminium prices, thus depend upon a recovery in demand," it says.

Firm tone at London tea auction

By Our Commodities Staff

DEMAND for tea was somewhat stronger and more general at yesterday's weekly London auction. Fewer teas remained unsold than a recent sales, according to the Tea Brokers' Association.

There was again no price quoted for quality grade tea and medium grade was unchanged at 135p a kilo. But low medium grade gained 5p from last week's level at 107p a kilo.

The total offering amounted to 33,295 packages, including 5,375 packages in the offshore section.

Colony medium grade teas gained 5-10p a kilo.

Malaysia unruffled over U.S. tin sales policy

By Wong Sulong in Kuala Lumpur

MALAYSIA HAS given qualified approval to a U.S. policy change affecting its strategic stockpile of tin and sales of surplus tin by the General Services Administration (GSA).

Datuk Paul Leong, Malaysia's primary industries minister, who met Mr Allen Wallis, the U.S. under-secretary for economic affairs, in Kuala Lumpur over the weekend, said Malaysia was "not unduly worried about the change as long as the GSA does not disrupt the already depressed market."

Under the new policy, the U.S. administration has decided that 150,000 tonnes of tin from the existing GSA stockpile of 186,430 tonnes would be placed in the supplementary reserve of strategic and critical materials, leaving 36,430 tonnes available for sale.

Mr Wallis told the minister that the placing of 150,000 tonnes under the strategic and critical stockpile would help reduce the overhanging effect of GSA tin on the market, and that the surplus metal would be sold over a period of "at least five years."

He also gave an assurance that the GSA sales would not disrupt the market, and the Asian (Association of South-East Asian Nations) tin-producing countries—Malaysia, Indonesia and Thailand—would be consulted if sales exceed the annual

3,000 tonnes agreed under the 1982 U.S.-Asian memorandum of understanding.

"I told Mr Wallis that Malaysia would prefer the U.S. to stop tin sales because of the depressed market, and emphasised it was vital that the memorandum of understanding on the 3,000 tonnes limit be adhered to," said Datuk Leong.

He pointed out the GSA had already sold 2,220 tonnes of tin between January and July 12 this year.

Datuk Leong said ministers of the Association of Tin Producing Countries (ATPC) would discuss the matter at their meeting in Canberra in mid-September.

On plans to introduce tin futures trading on the Kuala Lumpur Commodity Exchange (KLCE), the minister said this would take some time, and would probably not take place until the end of the year.

"First, we have to push through the structural and legal reforms to revive the KLCE, and we must also get the approval from the International Tin Council," he added.

Nancy Dunne writes from Washington: Congress has ordered the administration to direct the proceeds from all stockpile sales and 80 per cent of the proceeds of sales from the U.S. naval reserve into the stockpile transactions fund. The

fund is to be capped at \$250m.

Since the administration ordered the stockpile managers to make new purchases until the new goals were settled, the fund has been building up for months. Officially it has reached \$220m.

However, officials at the Naval Reserve have been suspending payments into the fund for the past few months so that it won't exceed the \$250m limit, according to one of the stockpile managers. Otherwise, selling would have to stop immediately.

Meanwhile officials at the New York Commodity Exchange (Comex) are studying the possibility of introducing tin futures at the request, they claim, of "North American tin interests."

"Several people have approached us as a result of the problems on the LME (London Metal Exchange), said one official. "They think they are not being properly served."

Mr Paul Scholdat, president of the American Tin Traders Association, complained to the LME that the market has "not been reflective of supply and demand" and he said American traders may look elsewhere for hedging opportunities. However, he said, Comex has traded tin in the past and it has not been successful. A tin contract would be "a disaster," he said, just as "zinc was a dismal failure."

UK urges full backing for ban on whaling

By Andrew Gowers

BRITAIN APPEALED yesterday to Japan, Norway and the Soviet Union to withdraw their objections to a moratorium on commercial whaling which is due to come into force later this year.

Opening the 37th annual meeting of the International Whaling Commission in Bournemouth, Mr John MacGregor, British minister of state for agriculture and fisheries, said:

"We regard the moratorium on commercial whaling as absolutely vital in view of the scientific uncertainties which exist about the status of whale populations and the past record of management failure."

The ban on commercial whaling, due to begin with the 1985-86 whaling season which starts this winter, was agreed by a majority of IWC members in 1982 in order to allow severely-depleted whale stocks to replenish themselves. It will last at least until 1990, when a review of stocks is due to take place.

However, Japan—the largest whaling nation—the Soviet Union and Norway have maintained formal objections to the moratorium, leaving them technically free to continue whaling.

Mr MacGregor did not mention these countries by name. But he said: "I am only sorry that the moratorium is not coming into effect with the unanimous support of all members of the Commission."

"I do hope that those countries which have maintained objections to the decision will now be able to withdraw them as soon as possible and rally to the majority view."

The IWC meeting is also focused on the problem of overfishing among environmentalists about a request by two other key whaling nations, Iceland and South Korea, to be allowed to catch up to 400 whales a year for what they describe as scientific purposes. Conservation groups believe this is merely a front for continued commercial whaling.

Farmer's viewpoint: by John Cherrington

Bringing science to the aid of Africa's hungry

LAST WEEK'S announcement that Mr Norman Borlaug is to head a team looking for ways to spread the "green revolution" techniques to Africa in an attempt to help solve the continent's food problems is most welcome.

The project, to be funded by a Japanese philanthropist, emerged from a three-day workshop in Geneva on the alleviation of poverty and starvation in Africa, organised by the Centre for Applied Studies in International Negotiations.

I had the privilege of meeting Mr Borlaug in Mexico several times while he was developing the techniques of wheat growing that won him the Nobel peace prize.

I found him to be a most practical scientist with a keen appreciation of the practical aspects of his ideas put into practice in the different countries which sought his help in increasing food supplies.

The green revolution was no magic cure, but it was the wheat or the new rice varieties developed by the Rockefeller Foundation for which Mr Borlaug worked. He was sent to Mexico to find a way to increase wheat yields within the limits of existing resources of fertiliser, irrigation and varieties available in the subtropical belt.

The main requirement for increasing yield and protein in wheat is the amount of nitrogenous fertiliser which the plant can absorb. In the case of the subtropical wheat being grown in Africa, the problem was that the soil was too acidic to absorb the fertiliser, and very frequently the result was to reduce the expected yield.

Mr Borlaug selected the wheat he used from existing strains of wheat which were adapted to the soil conditions and the climate of the region. The so-called Mexican wheats which he developed have been successfully used in many parts of the world, notably India and Pakistan. India this year is actually selling wheat on the world market.

There is no reason why

similar research into crops suitable for an African environment should not be equally successful. There is no shortage of scientific or practical knowledge of agriculture worldwide. The main reason it has not been put into practice has been the combined inefficiency of governments and the economic systems under which most people are forced to live.

The green revolution has its critics. They seem largely to concentrate on the fact that the processes used the back up of modern industry to manufacture the fertiliser and this forces the peasants into a modern money economy. But this is from my observations

be to provide the modern techniques which would enable them to provide themselves with the basic foods.

The Chinese seem to me to have the right ideas on food production. They are, I believe, inherently good farmers. They know how to grow things and they make use of all the resources available, including nitrogenous fertiliser. By every coal mine or open cast there is a nitrogen fixation plant, and by double or treble cropping and the application of modern techniques they claim to feed 11 people for every hectare of arable land.

I fear, however, that Mr Borlaug's task will be far more complex than simply to increase food production. There is enough knowledge to provide almost every country in the world with sufficient food for its own populations within the eight years which he claims to be sufficient in which to make a start.

The difficulty is to persuade the governments of the problem countries to use their resources more wisely so that they can at least grow and distribute all their basic food needs. How this is to be done in the chaotic political environment of many of these emergent states is a matter which even Mr Borlaug could find a daunting problem. But I do know from when I spoke to him last that he is well aware of the difficulties and is not the man to keep quiet about them.

In the late 1960s the 'green revolution' transformed the agriculture of a large part of Asia. Now Mr Norman Borlaug, its chief architect, is turning his attention to Africa's even more pressing needs

around the world is exactly what the peasants desire to do. I am not one of those who believe that village life in India, Africa or in any other developing area is in any way ideal. One can see all too easily the effects on health, both human and animal, of malnutrition.

This, of course, is caused by inadequate crop yields, inevitable in subsistence farming, and over population. The application of modern methods of disease control has undoubtedly saved millions of lives. It is unfortunate, however, that similar progress has not been made on feeding those rescued from scourges such as smallpox and malaria. One way would

be to provide the modern techniques which would enable them to provide themselves with the basic foods.

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Babcock buys control of boiler plant

BABCOCK Power has paid \$7m for control of the Babcock boiler plant in London, previously controlled by Firstel, part of the Lorch group.

Robey, which employs 235, will strengthen Babcock's position in the market for small industrial plants, by complementing the sales of its larger boiler operation run by Babcock Power from Birmingham. Robey will be called Babcock Robey.

Sulphur shortage forecast to worsen

By Our Commodities Staff

THE INTERNATIONAL sulphur industry is faced with a worsening shortage of supplies, the like of which it has not seen since the immediate post-war period, and the prospect of further steep price increases.

These are the main conclusions of a report* on the mineral prepared by the London-based consultancy British Sulphur Corporation and the Dallas-based oil analysts Purvin and Gertz.

It forecasts that demand for sulphur will continue to exceed

production by an average of 3m tonnes a year until the end of the century, and that producer stocks—which have cushioned the industry so far from the deficit—will be eliminated altogether by 1990.

Stocks are estimated to have been reduced already from 20m tonnes to 10m since 1980. As a result, prices have been on a steadily rising trend—increasing by about 50 per cent since 1980.

According to British Sulphur, the problem reaches back to the

late 1960s, when tightening environmental legislation in some industrialised countries stimulated a rise in production of sulphur as a by-product from the oil and gas industries.

This progressively drove traditional primary sulphur producers out of business and choked off investment in exploration for new sources.

* Sulphur towards 2000; \$11,000 from British Sulphur Corp., Parnell House, 25 Wilton Road, London SW1.

LONDON MARKETS

COFFEE PRICES continued their sharp decline on the London futures market yesterday. After opening weak, reflecting the heavy movement in New York on Friday night, further losses were registered in the market as sterling strengthened. The September delivery quotation slipped to \$1,608 a tonne at one stage before rallying on the back of smaller-than-expected opening losses in New York to end the day \$28 down at \$1,643 a tonne. Dealers said the recovery was also influenced by talk of frost in the Brazilian coffee belt later in the week. Official weather forecasts have given no indication of this possibility, however.

The cocoa market was also weak with the futures position hitting the lowest level since mid-August last year.

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

	Unofficial + or -	High/Low
Cash	134.5	+1.75 136.75
3 months	147.5	+1.10 148.60

Official closing (am): Cash 132.3 (72.5-5.8), three months 147.5 (74.7-5.8), settlement 132.3 (72.5-5.8). Final Korb close: 74.5-5.8. Turnover: 17,150 tonnes.

COPPER

	Unofficial + or -	High/Low
Cash	183.4	-7 180.4
3 months	194.3	-5 191.3

Official closing (am): Cash 180.1 (102.2-3), three months 192.5 (103.8-3), settlement 180.1 (102.2-3). Final Korb close: 103.5-3. U.S. producer prices 65.00-69.00 cents per pound.

LEAD

	Unofficial + or -	High/Low
Cash	101.0	-5 96.0
3 months	108.0	-6 102.0

Official closing (am): Cash 100.5 (100.5-3), three months 105.5 (105.5-3), settlement 100.5 (100.5-3). Final Korb close: 100.5-3.

NICKEL

	Unofficial + or -	High/Low
Cash	508.0	-2.5 505.5
3 months	508.5	-5.15 503.35

Official closing (am): Cash 507.8 (305.2-3), three months 508.5 (305.2-3), settlement 507.8 (305.2-3). Final Korb close: 305.2-3. Turnover: 5,671 tonnes.

ZINC

	Unofficial + or -	High/Low
Cash	510.0	-1.0 509.0
3 months	510.0	-1.0 509.0

Official closing (am): Cash 511.3 (516.9-3), three months 510.5 (516.1-3), settlement 511.3 (516.1-3). Final Korb close: 509.7-3. Turnover: 8,850 tonnes. U.S. Prime Western: 61.50-64.75 cents per pound.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	July 16	+ or -	Month	1985	- ago
METALS					
Aluminium	£1100				
Alum. Mkt.	£100,000				
Copper	£1030.5	-7			
3 months	£1047.7	-5			
Lead	£836.5	+0.25			
3 months	£850.5	+0.25			
Nickel	£1080.5	+0.25			
3 months	£1090.5	+0.25			
Platinum	£220.0				
3 months	£220.0				
Silver	£150.0				
3 months	£150.0				
Tungsten	£115.75				
3 months	£115.75				
Zinc	£515	+1.5			
3 months	£515	+1.5			
Producers	£515				

TIN

	High grade	Unofficial + or -	High/Low
Cash	£908.50	+2.5	
3 months	£908.50	+2.5	

Official closing (am): Cash 909.0 (910.0-10), three months 909.0 (910.0-10), settlement 909.0 (910.0-10). Final Korb close: 909.0 (910.0-10).

GOLD

	High grade	Unofficial + or -	High/Low
Cash	£311.3	+0.25	
3 months	£311.3	+0.25	

Official closing (am): Cash 311.3 (311.3-3), three months 311.3 (311.3-3), settlement 311.3 (311.3-3). Final Korb close: 311.3 (311.3-3).

SILVER

	High grade	Unofficial + or -	High/Low
Cash	£150.0		
3 months	£150.0		

Official closing (am): Cash 150.0 (150.0-3), three months 150.0 (150.0-3), settlement 150.0 (150.0-3). Final Korb close: 150.0 (150.0-3).

GOLD AND PLATINUM COINS

	High grade	Unofficial + or -	High/Low
Cash	£311.3	+0.25	
3 months	£311.3	+0.25	

Official closing (am): Cash 311.3 (311.3-3), three months 311.3 (311.3-3), settlement 311.3 (311.3-3). Final Korb close: 311.3 (311.3-3).

SILVER

	High grade	Unofficial + or -	High/Low
Cash	£150.0		
3 months	£150.0		

Official closing (am): Cash 150.0 (150.0-3), three months 150.0 (150.0-3), settlement 150.0 (150.0-3). Final Korb close: 150.0 (150.0-3).

SILVER

	High grade	Unofficial + or -	High/Low
Cash	£150.0		
3 months	£150.0		

Official closing (am): Cash 150.0 (150.0-3), three months 150.0 (150.0-3), settlement 150.0 (150.0-3). Final Korb close: 150.0 (150.0-3).

SILVER

	High grade	Unofficial + or -	High/Low
Cash	£150.0		
3 months	£150.0		

Official closing (am): Cash 150.0 (150.0-3), three months 150.0 (150.0-3), settlement 150.0 (150.0-3). Final Korb close: 150.0 (150.0-3).

SILVER

	High grade	Unofficial + or -	High/Low
Cash	£150.0		
3 months	£150.0		

Official closing (am): Cash 150.0 (150.0-3), three months 150.0 (150.0-3), settlement 150.0 (150.0-3). Final Korb close: 150.0 (150.0-3).

INDICES

FINANCIAL TIMES

	July 16	+ or -	Month	1985	- ago
200.59	200.59				

REUTERS

	July 16	+ or -	Month	1985	- ago
100.0	100.0				

DOW JONES

	July 16	+ or -	Month	1985	- ago
111.11	111.11				

July 16, 1985. Closing prices: 100.0 (100.0-3), three months 100.0 (100.0-3), settlement 100.0 (100.0-3). Final Korb close: 100.0 (100.0-3).

COFFEE

	High grade	Unofficial + or -	High/Low
Cash	£908.50	+2.5	
3 months	£908.50	+2.5	

Official closing (am): Cash 909.0 (910.0-10), three months 909.0 (910.0-10), settlement 909.0 (910.0-10). Final Korb close: 909.0 (910.0-10).

COFFEE

	High grade	Unofficial + or -	High/Low
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Economic fears haunt dollar

It was not all one way traffic for the dollar yesterday. At times the U.S. currency showed signs of improvement, but the general mood of the foreign exchanges continued to keep the dollar on the retreat. Concern over President Reagan's health was a slight factor, but it was mainly economic fears that pushed the dollar lower. Mr Paul Volcker, chairman of the Federal Reserve Board, gives testimony before Congress tomorrow, and there have been suggestions recently that he could be recommended by a cut in the U.S. discount rate. On Thursday a revised U.S. gross national product figure for the second quarter will be published, and is expected to be revised down from last month's flash estimate of 3.1 per cent growth.

Supporting the view about lower interest rates and a weaker economy, the reaction of \$2m liquidity into the New York banking system by the Fed, when Federal funds were trading at 10 per cent, and the fall of 0.4 per cent in May U.S. business inventories, after a revised rise of 0.2 per cent in April.

The dollar fell to its lowest since last August at DM 2.8770, compared with DM 2.89 Friday.

and also declined to FF 8.7475 from FF 8.739; SFr 2.3820 from SFr 2.3895; and Y287.65 from Y240.55.

On Bank of England figures the dollar index fell to 1384 from 1389.

STERLING — Trading range against the dollar in 1985 is 1.3885 to 1.6225. June average 1.5213. Exchange rate index fell 0.2 to 82.2. It opened at 82.7, the lowest level of the day, and improved steadily to a peak of 83.4 1 pm, before being a little ground after lunch.

Sterling was fairly quiet, and weaker on the day on its exchange rate index for the month. There was little movement overall, however, but the pound

managed to finish at the highest level against the dollar since June last year. It rose to \$1.3830 from \$1.3855-1.3865. The cut of 1 per cent to 12 per cent in clearing bank base rates was, undisturbed, and had little impact. London interest rates remain comfortably above those of most other major centres, and sterling was also supported by a rise of 1.3 per cent in May U.S. retail sales to a record level. The pound was unchanged at DM 4.00 and SFr 2.3820 from SFr 2.3820 and Y330.25 from Y330.50.

D-MARK — Trading range against the dollar in 1985 is 2.4510 to 2.8770. June average 2.6633. Exchange rate index

FINANCIAL FUTURES

Firm trend

Prices were mostly firmer in the London International Financial Futures Exchange yesterday. Sterling-based instruments were helped by the pound's strong performance, while Euro-dollars and U.S. bonds responded to hopes of further cuts in U.S. interest rates. Trading was split into two fairly distinct phases. After a quiet morning, values were pushed up in the afternoon on renewed buying from the U.S.

U.S. bonds and Euro-dollars were checked initially as the market digested the minutes of the Fed's FOMC meeting which showed no real change in the Fed's posture. However, a lower Federal funds rate and the authorities' accommodative stance towards maintaining

short-term liquidity levels prompted renewed demand in the afternoon. Consequently values finished towards their best levels of the day. Much now depends on Wednesday's testimony given by Mr Paul Volcker, chairman of the Federal Reserve Board.

Glits and three-month sterling deposits were firmer, helped by the pound's continued strength. A half-point reduction in base rates had already been discounted. Buying momentum in the gilts sector appeared to be little affected by exhaustion of the Government bid, and instead of the more usual bout of profit-taking values were bid firmer, squeezing out a few short positions on the way.

STERLING INDEX

	July 15	July 15	July 15
8.30 am	82.7	82.7	82.7
9.00 am	82.8	82.8	82.8
10.00 am	83.0	83.0	83.0
11.00 am	83.1	83.1	83.1
Noon	83.2	83.2	83.2
1.00 pm	83.3	83.3	83.3
2.00 pm	83.2	83.2	83.2
3.00 pm	83.1	83.1	83.1
4.00 pm	83.2	83.2	83.2

£ IN NEW YORK

	July 15	Prev. close
£ spot	81.3550-1.3770	81.3550-1.3770
1 month	81.3550-1.3770	81.3550-1.3770
3 months	81.3550-1.3770	81.3550-1.3770
12 months	81.3550-1.3770	81.3550-1.3770

Forward premiums and discounts apply to the U.S. dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Unit	Rate	% change	% change
Belgian franc	40.336	1.3644	+0.01	+0.01
Dutch guilder	2.3636	1.3644	+0.01	+0.01
French franc	6.5596	1.3644	+0.01	+0.01
Italian lire	2036.27	1.3644	+0.01	+0.01
Spanish peseta	166.64	1.3644	+0.01	+0.01
Portuguese escudo	200.48	1.3644	+0.01	+0.01
Irish punt	7.8756	1.3644	+0.01	+0.01
German mark	2.3636	1.3644	+0.01	+0.01
Swiss franc	2.00	1.3644	+0.01	+0.01
Austrian schilling	13.7603	1.3644	+0.01	+0.01
Scandinavian currencies				

Changes are for Ecu, therefore positive change denotes a weaker currency. Adjustment calculated by Financial Times.

POUND SPOT-FORWARD AGAINST POUND

	July 15	July 15	July 15	July 15
U.S.	1.3830-1.3830	1.3830-1.3830	1.3830-1.3830	1.3830-1.3830
Canada	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
Netherlands	1.47-1.47	1.47-1.47	1.47-1.47	1.47-1.47
Denmark	1.47-1.47	1.47-1.47	1.47-1.47	1.47-1.47
Ireland	1.27-1.27	1.27-1.27	1.27-1.27	1.27-1.27
France	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Germany	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Italy	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Spain	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Portugal	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Switzerland	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Sweden	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Japan	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Australia	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
South Africa	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
U.A.E.	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36

Belgian rate is for convertible francs. Financial Times 80.95-81.10. Six-month forward dollar 2.49-2.44c pm. 12-month 3.95-3.70c pm.

DOLLAR SPOT-FORWARD AGAINST DOLLAR

	July 15	July 15	July 15	July 15
U.S.	1.3830-1.3830	1.3830-1.3830	1.3830-1.3830	1.3830-1.3830
Canada	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
Netherlands	1.47-1.47	1.47-1.47	1.47-1.47	1.47-1.47
Denmark	1.47-1.47	1.47-1.47	1.47-1.47	1.47-1.47
Ireland	1.27-1.27	1.27-1.27	1.27-1.27	1.27-1.27
France	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Germany	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Italy	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Spain	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Portugal	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Switzerland	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Sweden	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Japan	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Australia	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
South Africa	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
U.A.E.	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36

UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial Times 80.95-81.10.

OTHER CURRENCIES

	July 15	July 15	July 15	July 15
Argentina	1.1110-1.1110	1.1110-1.1110	1.1110-1.1110	1.1110-1.1110
Australia	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Canada	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
Denmark	1.47-1.47	1.47-1.47	1.47-1.47	1.47-1.47
France	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Germany	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Italy	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Japan	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
South Africa	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
U.A.E.	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36

CURRENCY MOVEMENTS

	July 15	July 15	July 15	July 15
U.S.	1.3830-1.3830	1.3830-1.3830	1.3830-1.3830	1.3830-1.3830
Canada	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
Netherlands	1.47-1.47	1.47-1.47	1.47-1.47	1.47-1.47
Denmark	1.47-1.47	1.47-1.47	1.47-1.47	1.47-1.47
Ireland	1.27-1.27	1.27-1.27	1.27-1.27	1.27-1.27
France	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Germany	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Italy	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Spain	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Portugal	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Switzerland	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Sweden	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Japan	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Australia	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
South Africa	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
U.A.E.	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36

CURRENCY RATES

	July 15	July 15	July 15	July 15
U.S.	1.3830-1.3830	1.3830-1.3830	1.3830-1.3830	1.3830-1.3830
Canada	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
Netherlands	1.47-1.47	1.47-1.47	1.47-1.47	1.47-1.47
Denmark	1.47-1.47	1.47-1.47	1.47-1.47	1.47-1.47
Ireland	1.27-1.27	1.27-1.27	1.27-1.27	1.27-1.27
France	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Germany	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Italy	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Spain	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Portugal	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Switzerland	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Sweden	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Japan	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Australia	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
South Africa	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
U.A.E.	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36

EXCHANGE CROSS RATES

	July 15	July 15	July 15	July 15
U.S.	1.3830-1.3830	1.3830-1.3830	1.3830-1.3830	1.3830-1.3830
Canada	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
Netherlands	1.47-1.47	1.47-1.47	1.47-1.47	1.47-1.47
Denmark	1.47-1.47	1.47-1.47	1.47-1.47	1.47-1.47
Ireland	1.27-1.27	1.27-1.27	1.27-1.27	1.27-1.27
France	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Germany	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Italy	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Spain	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Portugal	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Switzerland	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Sweden	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Japan	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Australia	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
South Africa	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
U.A.E.	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36

EURO-CURRENCY INTEREST RATES (Market closing rates)

	July 15	July 15	July 15	July 15
U.S.	1.3830-1.3830	1.3830-1.3830	1.3830-1.3830	1.3830-1.3830
Canada	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000
Netherlands	1.47-1.47	1.47-1.47	1.47-1.47	1.47-1.47
Denmark	1.47-1.47	1.47-1.47	1.47-1.47	1.47-1.47
Ireland	1.27-1.27	1.27-1.27	1.27-1.27	1.27-1.27
France	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Germany	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Italy	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Spain	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Portugal	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Switzerland	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Sweden	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Japan	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
Australia	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
South Africa	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36
U.A.E.	1.36-1.36	1.36-1.36	1.36-1.36	1.36-1.36

MONEY MARKETS

Asian \$ (closing rate in Singapore): Short-term 7-7% per cent; seven days 7-7% per cent; one month 7-7% per cent; three months 7-7% per cent; six months 7-7% per cent; one year 7-7% per cent. Long-term Euro-dollar: two years 9-9% per cent; three years 9-9% per cent; five years 9-9% per cent. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

Little reaction to base rate cut

UK interest rates were a little easier yesterday as sterling recovered from a weaker start. A cut to 12 per cent in UK clearing bank base rates had already been well discounted and the announcement had little impact. However the longer end of the market appeared to show some appetite for a further reduction although the authorities and their attitude towards accommodating short-term liquidity needs tended to suggest a more cautious approach. Three-month

banks brought forward balances \$200m below target. These were partly offset by Exchequer transactions adding \$200m and a fall in the note circulation of \$200m. The Bank offered an early round of assistance which totalled \$200m and comprised purchases of £200m of eligible bank bills at 12 per cent and £200m in band 2 (15-33 days) at 11 1/2 per cent.

The shortage was revised once again to \$700m and further fell in the afternoon came to \$110m and comprised purchases of \$80m of eligible bank bills in band 1 at 11 1/2 per cent, \$50m in band 2 at 11 1/2 per cent and \$20m in band 3 at 11 1/2 per cent. The Bank also provided late assistance of \$450m, making a total of \$660m.

LONDON SHARE SERVICE

[illegible][illegible][illegible]

\$7	120	75
\$8	120	76
\$9	120	77
\$10	120	78
\$11	120	79
\$12	120	80
\$13	120	81
\$14	120	82
\$15	120	83
\$16	120	84
\$17	120	85
\$18	120	86
\$19	120	87
\$20	120	88
\$21	120	89
\$22	120	90
\$23	120	91
\$24	120	92
\$25	120	93
\$26	120	94
\$27	120	95
\$28	120	96
\$29	120	97
\$30	120	98
\$31	120	99
\$32	120	100
\$33	120	101
\$34	120	102
\$35	120	103
\$36	120	104
\$37	120	105
\$38	120	106
\$39	120	107
\$40	120	108
\$41	120	109
\$42	120	110
\$43	120	111
\$44	120	112
\$45	120	113
\$46	120	114
\$47	120	115
\$48	120	116
\$49	120	117
\$50	120	118
\$51	120	119
\$52	120	120
\$53	120	121
\$54	120	122
\$55	120	123
\$56	120	124
\$57	120	125
\$58	120	126
\$59	120	127
\$60	120	128
\$61	120	129
\$62	120	130
\$63	120	131
\$64	120	132
\$65	120	133
\$66	120	134
\$67	120	135
\$68	120	136
\$69	120	137
\$70	120	138
\$71	120	139
\$72	120	140
\$73	120	141
\$74	120	142
\$75	120	143
\$76	120	144
\$77	120	145
\$78	120	146
\$79	120	147
\$80	120	148
\$81	120	149
\$82	120	150
\$83	120	151
\$84	120	152
\$85	120	153
\$86	120	154
\$87	120	155
\$88	120	156
\$89	120	157
\$90	120	158
\$91	120	159
\$92	120	160
\$93	120	161
\$94	120	162
\$95	120	163
\$96	120	164
\$97	120	165
\$98	120	166
\$99	120	167
\$100	120	168
\$101	120	169
\$102	120	170
\$103	120	171
\$104	120	172
\$105	120	173
\$106	120	174
\$107	120	175
\$108	120	176
\$109	120	177
\$110	120	178
\$111	120	179
\$112	120	180
\$113	120	181
\$114	120	182
\$115	120	183
\$116	120	184
\$117	120	185
\$118	120	186
\$119	120	187
\$120	120	188
\$121	120	189
\$122	120	190
\$123	120	191
\$124	120	192
\$125	120	193
\$126	120	194
\$127	120	195
\$128	120	196
\$129	120	197
\$130	120	198
\$131	120	199
\$132	120	200
\$133	120	201
\$134	120	202
\$135	120	203
\$136	120	204
\$137	120	205
\$138	120	206
\$139	120	207
\$140	120	208
\$141	120	209
\$142	120	210
\$143	120	211
\$144	120	212
\$145	120	213
\$146	120	214
\$147	120	215
\$148	120	216
\$149	120	217
\$150	120	218
\$151	120	219

16	282	157	Lowell Inds.	108	+3	3.0	4.0
6.2			Lowell Inds.	245		68.0	4.0
6.3	108	85	MCO Group	180		5.0	4.3
1.30	30	22	MY Data 20p	25		0.75	1.3
3.7	198	146	McCarthy Ph 20p	184	+1	17.5	2.7
4.5	150	87	Maclean's Inc	124		42.16	1.0
4.9	41	34	Maclean's P & W 20p	41		1.7	2.3
6.0	67	46	Magnolia Group	62		2.6	3.0

MINES—Continued

"Recent Issues" and "Rights" Page 34
(International Edition Page 36)

This service is available to every Company dealt in on Exchanges throughout the United Kingdom for a fee of £800 per annum plus each separate listing.

LONDON STOCK EXCHANGE

Base rate cuts and record retail sales a tonic for both equities and gilts

Account Dealing Dates

*First Declared Last Account
Dealing Date
July 11 July 12 July 22
July 25 July 26 July 28
July 29 Aug 5 Aug 9 Aug 19

*Non-dealing days may take
place from 9.30 am to 2.00 pm on
either day.

Bank base lending rate cuts, continuing buoyant retail sales and a strong pound were a tonic for London stock markets yesterday. The UK clearers belatedly followed the trend initiated last Thursday by Citibank and reduced borrowing charges by 1 percentage point to 12 per cent, but the news failed to dampen overseas enthusiasm for sterling. The rate continued to gain ground against the dollar raising hopes that the authorities might signal their approval for another small cut in interest rates.

Increased domestic and foreign support again exhausted the Government's remaining supply of the 10 per cent Treasury 2004, at 97. Free of restriction, the stock led a general price advance which ended with selected high-coupon issues showing rises of 1 at the 3.30 pm close. Exchequer 12 per cent 1999-2002 achieved an outstanding gain of a point at 108.

In the after-hours trade, fresh demand took the longs even higher and some even settled with gains extending to a point. Sharper maturities made only small net improvements, while index-linked issues suffered from views that the Government was following policies designed to reduce the rate of inflation to around 4 per cent.

Leading industrial stocks began the first session of a new trading Account rather cautiously. West's comment on the clearing banks' reluctance to lower base rates deterred investors, while traders reflected painfully on their experience over the previous fortnightly trading periods. However, the news of cheaper money encouraged one or two small institutional operators to commit funds and business expanded further after the announcement of last month's record retail sales figure.

Business slowed noticeably during the afternoon, but values continued to nudge higher and the FT Ordinary share index closed 11.2 up at the day's best of 937.2.

Clearers rise

Clearing banks were little changed after morning news of the expected reductions in base lending rates, but later responded to reported support ahead of the forthcoming interim dividend season. NatWest, which is the first to report on July 30, rose 5 to 700p, while Barclays jumped 15 to 415p, the latter's half-year results are due on August 1. Midland added 5 at 397p as did Lloyds, at 417p. Elsewhere Bank of Scotland put on 8 to 380p and Bank of Scotland 4 to 264p. Union Discount advanced 15 to 600p ahead of tomorrow's interim statement. Among recently-issued equities, Isotex attracted persistent de-

mand in a restricted market and moved up 38 to 188p; this compares with the striking price of 123p following the offer-for-sale by tender at 120p. Christian Salvemini were also supported and rose 8 to 125p.

Allied-Lyons rose 4 more to 225p on reports of the stake reportedly built up by Australia's Elders IXL.

Confirmation of lower interest rates following last week's call for the Government to embark on a major public works programme, gave a mild boost to the Building sector. Scattered buying interest lifted RMC 4 to 372p and Blue Circle 5 to 320p. Tharmac, a particularly firm market recently following reports that the group is considering the sale of Placem, its oil and gas exploration subsidiary, moved up 4 more to a year's high of 324p, while Redland rose 3 to 285p. A number of firm features emerged among the building sector. Scattered buying interest lifted RMC 4 to 372p and Blue Circle 5 to 320p. Tharmac, a particularly firm market recently following reports that the group is considering the sale of Placem, its oil and gas exploration subsidiary, moved up 4 more to a year's high of 324p, while Redland rose 3 to 285p. A number of firm features emerged among the building sector.

ICI were a quiet market and hardened 3 to 702p as selling pressure induced by the strong performance of sterling against the dollar abated. Elsewhere in the Chemical sector, Eils and Everard added 2 to 188p in reply to good annual results and a scrip issue proposal, British Talcum rose 5 to 207p, Occidental interest was noted for Woolworth, 13 better at 396p, and for British Home, 5 dearer at 276p. Dixons, due to reveal annual results tomorrow, advanced 19 to 719p in a narrow market, while life support was evident for Etam, 9 up at 185p, and for W. L. Smith, 4 to the good at 226p. The latter's results are due on August 1. Midland added 5 at 397p as did Lloyds, at 417p. Elsewhere Bank of Scotland put on 8 to 380p and Bank of Scotland 4 to 264p. Union Discount advanced 15 to 600p ahead of tomorrow's interim statement. Among recently-issued equities, Isotex attracted persistent de-

Gussie wanted

After a relatively subdued start, leading retailers responded to the record June provisional retail sales and displayed useful closing rises. Gussies A spurred 4 to 797p ahead of the preliminary results, expected shortly, as usual, sentiment was aided by enfranchisement hopes. GUS ordinary shares closed 25 up at 845p. Widened comment anticipating an increased offer for Debenhams in the near future put Burton up 7 to 477p. Debenhams, quoted ex the 1-for-3 scrip issue, advanced 19 to 227p. Occasional interest was noted for Woolworth, 13 better at 396p, and for British Home, 5 dearer at 276p. Dixons, due to reveal annual results tomorrow, advanced 19 to 719p in a narrow market, while life support was evident for Etam, 9 up at 185p, and for W. L. Smith, 4 to the good at 226p. The latter's results are due on August 1. Midland added 5 at 397p as did Lloyds, at 417p. Elsewhere Bank of Scotland put on 8 to 380p and Bank of Scotland 4 to 264p. Union Discount advanced 15 to 600p ahead of tomorrow's interim statement. Among recently-issued equities, Isotex attracted persistent de-

adverse comment. Tace fell 30 to 475p after news of the proposed £2m rights issue and sale of another 10 per cent stake to Goring Kerr for £32m to help finance the acquisition of Anderson Instruments Ltd. G.K. gave up 10 at 585p, after 57p.

A continuation of Friday's late demand lifted Dee Corporation 15 to 263p in a generally firmer Food Retailing sector. With sentiment helped by the June retail sales figure, J. Sainsbury rose 8 to 308p and Tesco moved up 6 to 246p. Associated Baires Food Stores, a couple of pence better at 130p, after 138p, while Argyl settled 4 higher at 297p. Food Manufacturers' Federation, a speculative buying in a market name-to-well supplied with stock; the interim results are scheduled for August 8. Dairy Crest, a company advanced 6 to 89p as buyers began to show increased interest ahead of Thursday's annual results, while Brooke Talcum responded to renewed comment with a rise of 4 to 29p. Noble and Lund jumped 5 to 26p on news of a bid approach and Triplex Foundries added 3 to 270p, after 275p; sentiment was helped by news of impressive interim results from its subsidiary, the American concern, which is to be floated in the U.S. at the end of the month. Elsewhere in miscellaneous Industrials, Cole Group moved up 7 to 229p, on revised comment that Low and Bonar had increased its stake to nearly 25 per cent, while Wolverhampton Steam Laundry put on 4 to 47p, after 43p, in response to a comment. Christie's International, dealt last week in sympathy with the weakening dollar and reports that the company could face a U.S. inquiry into its painting sales operations, recovered 10 to 225p. Bedford National Glass improved 4 to 92p and Stonehill subsidiary Rock, the American group met with revived speculative support and closed 4 higher at 121p, after 117p, touched 265p prior to ending a net 4 better; balance at 250p following acquisition news, but AAE came an

Penitland feature

Penitland, dawn 85 last week on persistent profit-taking, regained composure and the shares, in smaller-priced form after implementation of the 20 per cent scrip issue, rallied 22 to 270p, after 275p; sentiment was helped by news of impressive interim results from its subsidiary, the American concern, which is to be floated in the U.S. at the end of the month. Elsewhere in miscellaneous Industrials, Cole Group moved up 7 to 229p, on revised comment that Low and Bonar had increased its stake to nearly 25 per cent, while Wolverhampton Steam Laundry put on 4 to 47p, after 43p, in response to a comment. Christie's International, dealt last week in sympathy with the weakening dollar and reports that the company could face a U.S. inquiry into its painting sales operations, recovered 10 to 225p. Bedford National Glass improved 4 to 92p and Stonehill subsidiary Rock, the American group met with revived speculative support and closed 4 higher at 121p, after 117p, touched 265p prior to ending a net 4 better; balance at 250p following acquisition news, but AAE came an

Golds better

The recent slide in South African Golds—priced by U.S. investors on the back of miners' strike in the Republic's gold and coal mines—was arrested by news that the executive committee of the South African National Miners' Association has called a special congress of the union's 110,000 members within the next two weeks to decide whether to strike or not. Details of the strike ballot held last week were not known during market hours yesterday.

EUROPEAN OPTIONS EXCHANGE

1105.55	+0.9	10.37	4.22	12.06		
1115.51	+0.6	16.78	7.92	7.33		
1050.91	+0.9	11.23	4.70	11.09		
1067.51	+1.1	-	5.08			
1070.00	+2.1	15.47	3.01	9.23		
714.83	+0.5	-	3.34			
1061.81	+1.0	-	5.40			
1030.35	+0.9	9.11	4.62	14.67		
1225.21	-	-	4.90			
795.53	+1.1	6.51	3.97	21.26		
264.34	-	9.30	6.14	13.14		
546.64	+0.4	-	3.85			
263.57	+0.7	12.52	5.81	9.42		
614.79	-0.1	12.51	6.33	9.76		
597.08	-	-	4.75	-		
Open	High	Low	Open	High	Low	Open

AMEX COMPOSITE PRICES

Continued from Page 38

Continued from Page 38																			
12 Month	High	Low	Stock	Div. Yld.	P/E	100s High	Low	Class Price	Chg	12 Month	High	Low	Stock	Div. Yld.	P/E	100s High	Low	Class Price	Chg
229	18	10	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
230	18	10	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
113	109	109	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
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109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
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109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
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109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100	Sho	1.52	4.0	3.7	1500	437	10
109	101	101	Occip	0.15	11	4	217	216	-1	404	111	100							

461	300	Sundten, 60	3 192 130
114	61	Sundten	55 853
37	36	Sundt	70 707
37	36	Sundt	78 1 016 490
44	23	Sundt	18 18 280
177	14	Swank	50 018 10
211	17	Sylvén 1 68	58 10 61
16	11	Symax	21 25
85	39	Symax 1 92	28 128 1116

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Continued on Page 37

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Nasdaq national market, 2.30pm prices

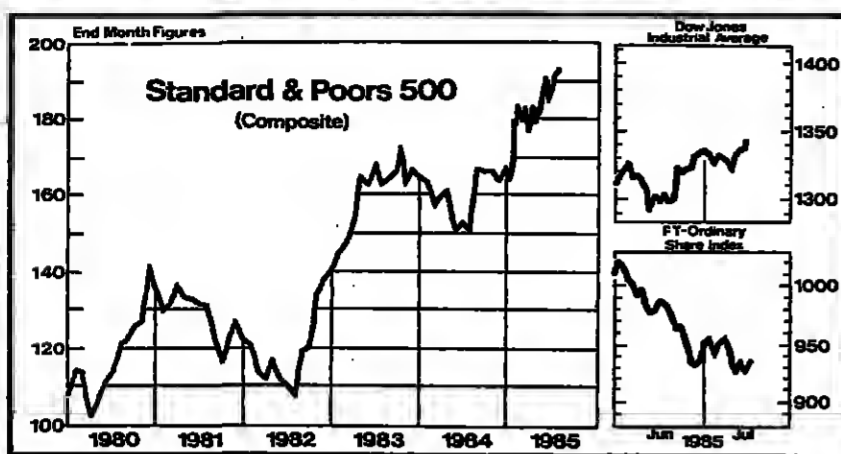
Stock	Sales (Units)	High	Low	Last	Chg	Stock	Sales (Units)	High	Low	Last	Chg	Stock	Sales (Units)	High	Low	Last	Chg	Stock	Sales (Units)	High	Low	Last	Chg	
ACC TI	4	18	10			Chupa	306	50	299	293	+1	Fmgi	1.78	314	885	659	659	+1	Knewx	14	65	65	65	
ADL	27	25	24			Chomer	185	51	311	311	+1	FedEx	380	200	200	200	-	Kryt	81	74	74	74		
ADL	27	25	24			Chomer	185	51	311	311	+1	FedEx	380	200	200	200	-	Kryt	81	74	74	74		
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ADL	27	25	24			Chomer	185	51	311	311	+1	FedEx	380	200	200	200	-	Kryt	81	74	74	74		
ADL	27	25	24			Chomer	185	51	311	311	+1	FedEx	380	200	200	200	-	Kryt	81	74	74	74		
ADL	27	25	24			Chomer	185	51	311	311	+1	FedEx	380	200	200	200	-	Kryt	81	74	74	74		
ADL	27	25	24			Chomer	185	51	311	311	+1	FedEx	380	200	200	200	-	Kryt	81	74	74	74		
ADL	27	25	24			Chomer	185	51	311	311	+1	FedEx	380	200	200	200	-	Kryt	81	74	74	74		
ADL	27	25	24			Chomer	185	51	311	311	+1	FedEx	380	200	200	200	-	Kryt	81	74	74	74		
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ADL	27	25	2																					

Continued on Page 37

FINANCIAL TIMES

WORLD STOCK MARKETS

KEY MARKET MONITORS



STOCK MARKET INDICES			
	July 15	Previous	Year ago
NEW YORK			
DJ Industrials	1,342.52	1,338.60	1,109.87
DJ Transport	682.77	687.97	463.27
DJ Utilities	168.80	168.91	125.77
S&P Composite	193.51	193.29	160.68
LONDON			
FT Ord	837.2	826.0	775.0
FT-SE 100	1,243.6	1,230.8	985.8
FT-A All-share	599.08	593.91	470.07
FT-A 500	650.91	645.34	506.23
FT Gold mines	399.6	392.4	563.9
FT-A Long gilt	10.25	10.34	11.24
TOKYO			
Nikkei-Dow	12,588.77	12,839.49	10,154.10
Tokyo SE	1,029.60	1,048.36	774.14
AUSTRALIA			
All Ord.	903.3	906.6	669.0
Metals & Mins.	508.3	515.5	416.9
AUSTRIA			
Credit Aktien	98.04	98.40	63.55
BELGIUM			
Belgian SE	2,329.30	2,337.61	-

CURRENCIES			
	July 15	Previous	July 15
(London)			
U.S. DOLLAR			
DM	2.877	2.89	4.0
Yen	237.55	240.85	330.25
FFr	8.7475	8.78	12.145
SwFr	2.302	2.3095	3.32
Quid	3.244	3.25	4.5025
Lira	1,896.0	1,876.50	2,601.0
Bfr	57.85	58.1	80.5
CS	1.351	1.3535	1.8725
INTEREST RATES			
3-month U.S.	9	8	
6-month U.S.	7	7	
U.S. 3-month CDs	7.50	7.70	
U.S. 3-month T-bills	7.05	7.07	

U.S. BONDS			
	July 15	Previous	Yield
Treasury			
8% 1987	99 1/2	8.27	99 1/2
10% 1992	101 1/2	10.06	101 1/2
11% 1995	106 1/2	10.18	106 1/2
11% 2015	107 1/2	10.40	107 1/2
Corporate			
AT & T	101.27	10.00	101 1/2
3% July 1990	81	8.70	82
8% May 2000	84	10.80	85 1/2
Xerox	10% March 1993	100.50	101 1/2
Diamond Shamrock	10% May 1993	99 1/2	100
Federated Dept Stores	10% May 2013	95 1/2	95
Abbot Lab	11.80 Feb 2013	104 1/2	103 1/2
Alcoa	12% Dec 2012	94 1/2	93 1/2

FINANCIAL FUTURES			
	Latest	High	Low
CHICAGO			
8% 32nds of 100%	77-12	77-16	77-00
U.S. Treasury Bills (MM)			
\$1m points of 100%	92.94	92.95	92.85
Certificates of Deposit (MM)			
\$1m points of 100%	92.26	92.28	92.19
LONDON			
Three-month Eurodollar	91.96	91.96	91.85
20-year National Gilt	112-20	112-20	111-24

GOLD (per ounce)			
	July 15	Previous	Year ago
London	\$316.50	\$316.25	\$315.75
Zurich	\$316.25	\$315.75	\$314.83
Paris (fixing)	\$314.83	\$313.54	\$312.45
Luxembourg	\$317.25	\$314.45	\$313.40
New York (Aug)	\$318.40	\$319.20	-

COMMODITIES			
	July 15	Previous	Year ago
(London)			
Silver (spot fixing)	436.15p	436.40p	-
Copper (cash)	£1,039.50	£1,045.50	-
Coffee (July)	£1,643.00	£1,671.00	-
Oil (spot Arabian light)	\$26.95	\$26.95	-

HONG KONG			
	July 15	Previous	Year ago
Hang Seng	1,640.49	1,615.78	746.02
Italy			
Barca Comm.	347.27	349.15	208.96
Netherlands			
ANP-CBS Gan	216.7	217.8	153.0
ANP-CBS Ind	183.3	184.5	123.7
Norway			
Oslo SE	329.46	325.79	238.02
Singapore			
Straits Times	717.35	725.27	668.18
South Africa			
JSE Golds	-	1,034.8	874.5
JSE Industrials	-	1,034.8	874.5
Spain			
Madrid SE	107.00	109.56	90.76
Sweden			
J & P	1,318.04	1,324.74	1,474.28
Switzerland			
Swiss Bank Ind	458.8	464.6	359.6
World			
Capital Int'l	220.6	219.8	169.6

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WALL STREET

Boardroom figures feed rally

FAVOURABLE indications on corporate profits during the second quarter offset worries on Wall Street yesterday over the range of uncertainties surrounding the U.S. economy and the dollar, writes Terry Byland in New York.

The market leaders rallied from a dull start as excellent results from the banks were followed by a satisfactory report from IBM. However, trading focused around the blue chips, with the broader market slow to respond.

At 3pm, the Dow Jones Industrial average was up 3.82 at 1,342.52. Bonds opened cautiously as the market digested the latest signs that the economy is slowing down, and braced itself for the mid-year report on Federal Reserve policy to be delivered tomorrow by Mr Paul Volcker, the Fed's chairman.

With some analysts suggesting that the Fed would ignore the renewed upsurge in money supply and ease credit policies in order to revive the economy, bond prices began to edge forward at mid-session.

The quarterly reporting season for U.S. industry made a strong start, with computer stocks moving higher as the market responded favourably to trading statements from IBM and several other technology leaders. Lower profits from the sector were expected, and the market was relieved by the absence of any new surprises.

At 12.55, IBM added 5 1/2¢ after its results, which were comfortably inside the range of expectations.

NCR edged up 3/4¢ to \$31 1/2 after results. Burroughs gained 1 1/4¢ to \$58. Digital Equipment \$1 to \$95 1/4. Control Data \$4 to \$28 1/4 and Honeywell \$4 to \$82 1/4.

Intel, the semiconductor group, gained 3/4¢ to \$27 despite a poor trading statement, which included disappointing comments on the market outlook.

The weak spot was AT&T, which fell 3/4¢ to \$28 1/4 in hefty trading after two brokerage analysts downgraded the stock and others lowered earnings estimates. The telephone company is trying to break into the computer markets, while simultaneously resisting IBM's headlong attack on its own telephone business.

Meanwhile, the financial sector ran into profit-taking following news of substantial increases in profits at major banks. Chase Manhattan dipped 3/4¢ to \$61 1/2, while J.P. Morgan fell 1/4¢ to \$51 1/2.

First Chicago Bank, at \$24 1/2, lost 5/4¢ after the board stated its support for Mr Barry Sullivan, the chairman.

As the latest sales figures from the motor industry trickled through the market, General Motors eased 3/4¢ to \$68 but Ford added 3/4¢ to \$43 1/4 and Chrysler \$4 to \$34 1/4.

After a weak start, airline issues took off again, responding to the slide in world fuel prices. United added 3/4¢ to \$57 1/4 and Eastern, having denied intentions of bidding for TWA, gained 3/4¢ to \$69 1/4. Pan American rose 3/4¢ to a new 52 week high of \$74.

Hospital management stocks were poised for statements from Baxter Travenol and Hospital Corp of America (HCA), both seeking mergers with American Hospital Supply (AHS). Suspension of the three on the NYSE quickly stimulated trading in the third, or off-floor market, and quotes were restored on the big board. At \$44 1/4, AHS jumped 3 1/2¢ on hopes of better terms, while Baxter at \$15 was 5/4¢ off and HCA at \$49 1/4, was down 5/4¢.

The most active share was Crown Zellerbach, 5/4¢ down at \$41 1/4, on turnover exceeding 2m shares, with Sir James Goldsmith, the UK entrepreneur, believed to be buying in an effort to thwart the company's restructuring plan.

Other active issues included Levi Strauss, 5 1/4¢ up at \$47 against the proposed management buyout at \$50 a share. Upjohn, still benefiting from optimism for its anti-baldness drug, added \$1 to \$121 1/4. But Jack Eckerd, the drug-store group, fell 5/4¢ to \$25 1/4 when the board's repurchase of the stake held by Dart Group terminated the takeover hopes.

In the credit markets, short-term rates remained steady behind a federal funds rate at 7 1/4 per cent, at which level the Fed disclosed a further \$2bn in customer repurchase arrangements.

The bond market lay dormant after edging higher at mid-session. Bond prices have failed to break through testing peaks of 109 1/4, and now seem to be awaiting a more clear indication of the policies of the Federal Reserve.

EUROPE

Weak dollar erodes confidence

THE DOLLAR'S weakness against major currencies further eroded investor confidence on European bourses yesterday with West German and Swiss stocks under the most sustained selling.

Export-oriented companies, particularly electrical, chemical and motor stocks suffered the heaviest declines as investors expressed fears about the impact the dollar's decline will have on earnings.

In Frankfurt the Commerzbank index fell 9.7 to 1,388, influenced heavily by the sharp price mark-down in the automotive sector which had shown steady recent advances on expectations of robust returns from U.S. sales.

Daimler was among the heaviest losers, ending at a low for the day of DM 839, down DM 24.

BMW also closed at a low for the session with a DM 21 decline to DM 400, while Volkswagen shed DM 10.50 to DM 303.50 and Porsche slipped DM 16 to DM 218.60.

The Paris bourse was closed for the Bastille Day national holiday.

1,349, although it was DM 45 down at one stage. Other sectors were under relatively less pressure and price changes were less marked, although few stocks escaped selling.

Among electrical stocks, Siemens dropped DM 13.50 to close at a low of DM 534 and AEG lost DM 1.80 to DM 125.70.

Losses in the chemical sector were within a narrow range. Hoechst eased DM 4 to DM 220 while Bayer fell DM 5.20 to DM 219.80 and BASF DM 4.90 to DM 218.60.

Falls among the banks were generally lighter with Deutsche Bank DM 8.50 to DM 557, Commerzbank down DM 2.80 to DM 210 and Dresdner DM 1.50 easier at DM 255.50.

The bond market closed barely changed after a quiet session. The Bundesbank sold DM 13.7m worth of paper, compared with sales totalling DM 17m last Friday.

In Zurich profit-taking compounded the weak general tone which existed as a result of the dollar's fall and was sufficient to send the prices of most leading industrial stocks lower.

Ciba-Geigy was clipped back SwFr 90 to SwFr 3,510, while among other chemical stocks, Sandoz lost SwFr 375 to SwFr 8,225 and Hoffmann-La Roche moved against the general tone to firm SwFr 75 to SwFr 9,800.

Banks were also down. Credit Suisse fell SwFr 45 to SwFr 2,920 with Union Bank off SwFr 30 to SwFr 4,270.

A hesitant mood pervaded during trading in Amsterdam with mild selling making a small dint in the recent increases.

The largest losers included Akzo down Fl 1.20 to Fl 115.80, Philips 50 cents lower at Fl 49.20 and Unilever off Fl 1.50 at Fl 351. KLM was sheltered from most of

the selling and eased only 10 cents to Fl 82.30.

Banks were mixed with ABN off Fl 1 to Fl 478, while Amro added 40 cents to Fl 86.80 and NMB 20 cents to Fl 208.70. Insurers eased with Aegon declining 50 cents to Fl 97.80 and Amev shedding Fl 3 to Fl 287.

While the Brussels market closed lower, the resignation of M Jean Gol, the Belgian deputy prime minister played little part in the decline with investors continuing to concentrate on fundamentals to influence their stance.

Among leading stocks, Petrofina fell Bfr 40 to Bfr 5,610 and Gevaert Bfr 30 to Bfr 3,920, while Kredietbank led a weaker banking and financial sector with a Bfr 40 decline to Bfr 2,220.

Milan prices eased as operators squared positions on the last day of the bourse's month. However trading remained active. Montedison eased a modest L9 to L2,100 following reports that one-third of the company's capital had been acquired by U.S. and UK investors.

Madrid was marginally firmer in light trading while Stockholm slipped back into dull trading with few movements among blue chip issues.

TOKYO

Late demand puts brake on decline

A BROADLY based decline took Tokyo lower yesterday although the late reappearance of demand for some construction issues - after some heavy morning selling - managed to alleviate the gloom, writes Shigeo Nishitani of Jiji Press.

The Nikkei-Dow market average plummeted 378 at one stage, before picking up to finish a net 240.73 lower at 12,598.77. It was the sixth successive daily decline - the longest series of declines since October 1982. Transactions totalled 855,50m shares, down from Friday's 785,88m. Losers outpaced gainers 635 to 231, with 83 issues unchanged.

Construction and cement stocks advanced last week, reflecting possible early starts of major projects, like a highway across Tokyo Bay. But they opened lower yesterday with investors apparently thinking prices had gone up too far. The price index for construction issues compiled by the Tokyo Stock Exchange had increased for nine straight sessions from 851 on July 2 to 767 last Friday.

Constructions continued as the most actively traded sector. Taisei Corp, dropped Y2 at one point, but finished up Y12 at Y324 on buying by dealing sections of brokerage houses.

Tekken Construction, gained Y50 to Y485, and Kumagai Gumi closed at Y785, up Y11, after temporarily losing Y24. But Penta-Ocean went down Y3 to Y370, Obayashi Corp

FINANCIAL TIMES SURVEY

Vans and Light Trucks

Japanese vehicles are making large gains in Europe, aided by a series of co-operation and production deals. Attention in the highly-competitive medium van market now focuses on the Transit's replacement, and the prospects for its many rivals.

Europe's makers face the attack

By Kenneth Gooding
Motor Industry Correspondent

WESTERN EUROPE'S producers of light commercial vehicles have been forced to retreat in the face of a determined challenge from the Japanese, who have completely changed the shape of the industry in the past five years.

Two recent events show just how hard the European backs are against the wall. First, Ford announced it will bring built-up Japanese vehicles into Europe for the first time. These will be vans made by its 25-per-cent-owned associate, Mazda.

Then Daimler-Benz, that most chivalrous of West German groups, revealed it is to co-operate with Mitsubishi to produce the Japanese group's L-300 series van in Spain for the domestic market and export to some European and North African markets.

Both companies are reacting to the aggressive Japanese attack on the European medium van market. Five years ago the five European producers shared

the sales in that sector; today 17 are companies scrambling for the available business.

At the start of their campaign, in 1980, the Japanese accounted for only 11.8 per cent of medium van registrations. Last year, after another 2.8 percentage points gain, they reached 21.3 per cent of Western Europe's 14 major markets.

The main losers have been Volkswagen of West Germany and Ford, with van plants in the UK, Belgium and Portugal.

During the 1980-81 period, VW's share of the sector, where it is represented by the Transporter, dropped from 20.2 per cent to 15 per cent. Ford's Transit van in 1980 took 18.5 per cent of available sales; last year it had just 13.5 per cent.

As demand for medium vans has also declined over the period, VW's sales dropped from 134,200 in 1980 to around 96,600 last year. Ford's registrations slumped from 123,000 to 96,000.

Much of the Japanese gain was made in West Germany, one of the very few automotive markets in the world still wide open to Japanese attack. Last year Japanese van sales in West Germany accelerated from

25,200 to 33,500 and their penetration soared by 6.7 points, from 19.4 per cent to 26.1 per cent.

So far Daimler-Benz, the Mercedes group, has escaped the worst of the Japanese squeeze—it does not make small vans because it has no inexpensive car components available to build into them.

But it needs such a vehicle in Spain for Mercedes-Benz España, the former MEVOSA group, which is now a 64.2 per cent-owned subsidiary. Hence the arrangement with Mitsubishi. The Japanese vans will be assembled from the end of 1987 at the plant in Vitoria in Northern Spain and the initial output will be an annual 10,000.

Equipped

The vans will be equipped with diesel engines from M-B España's Barcelona factory and the German company intends to increase capacity at the assembly plant from 24,000 to 29,000 a year by opening up some bottlenecks.

D-B took control of MEVOSA under pressure from the Spanish government which was determined to get its automotive industry into better competitive shape for the time when Spain joins the Common Market—now set for January next year.

And the deal with Mitsubishi makes it almost certain that Japanese vans will make a clean sweep of the available opportunities in Spain.

Nissan has taken control of Motor Iberica the leader in the medium van sector and has

introduced its all-wheel-drive vehicle, the Patrol, and the Vanette van to the Iberica range. Nissan hopes to make an annual 7,000 Vanettes for Spain and a further 8,000 for export.

Land Rover Santana, 45-per-cent owned by BL's Land Rover company and ranked third among the medium commercial producers in Spain, has added a Suzuki four-wheel-drive vehicle to its production and launched it on the domestic market at the Barcelona Motor Show in May. The Suzuki Jimmy complements the typical Land Rover vehicle, because it is much smaller.

Enasa, the state-owned Spanish group, was about to complete a deal to replace its old Sava van range with one based on the Isuzu WER. Then negotiations started for a much wider association—possibly a takeover—with General Motors, the world's largest automotive group and owner of Bedford in Britain.

However, as GM also owns 35 per cent of Isuzu, if the U.S. group does take control of Enasa the van deal will almost certainly go ahead. Waiting on the sidelines, in case the Americans withdraw, is Toyota, Japan's largest automotive company. Toyota is also interested in acquiring Enasa. So there is no doubt that, one way or another, Enasa will be producing vans based on Japanese vehicles before very long.

Spain makes an attractive base from which the Japanese can tackle other European Community markets with "European" products. On the other

hand, Spain will remain relatively protected because the high tariff barriers it put up in the past to protect its weak industry will not finally be dismantled until 1993.

The Japanese have their eyes particularly on Italy and France, two major markets which practically exclude vehicle imports from Japan.

The process has already started—but with the UK as the base. General Motors is building "European" versions of the Isuzu WER vans at the Bedford plant in Britain. The Bedford Midi vans, as they are called, recently went on sale in France and Italy through GM's Opel car dealer networks.

The Midi and the Mitsubishi L-300 are vehicles which were little known in Europe until the Japanese began to push their sales. The vans are small in size but have relatively large payload capacity, up to 800kg.

Gap

Ford says that sales in Europe of these vans jumped from under 10,000 in 1980 to 35,000 in 1983. The sector has become too large to ignore yet not large enough to make the development and production of a European van worthwhile, Ford suggests.

Ford's answer to it to bring in the Mazda Econovan to fill the gap in its range between the car-based Fiesta and Escort vans and the Transit. The Japanese vans will be sold at first through Ford car dealers in Denmark, Norway and West Germany. The company expects to register

about 5,000 in a full year.

The vans might also go to Finland and Ford admits it is looking at other European markets where the potential volume prices charged for rival products and exchange rates would make Japanese imports viable.

The Japanese first made their presence felt in the European commercial vehicle business with car-based vans and micro-vans but five years ago moved up to medium vans with higher value. There is some evidence that the process of moving up market will continue because the Japanese are now showing interest in the European market for light trucks.

Toyota, Mazda and Isuzu all exhibited trucks, Mitsubishi presented its six-tonne range and Hino showed medium rigid trucks in the 1 to 15 tonne class at the Brussels Motor Show in January.

Mr John Lawson, head of DRI Europe's automotive group, says: "This is a development which augurs increasing competition in 'entire' countries (those which have no vehicle producers of their own) like Belgium itself, even if the Japanese presence in this weight range currently is slight."

He predicts that the six-tonne sector is the most likely candidate for greater Japanese penetration in the near term but "Mitsubishi, with assembly operations in Portugal and Holland, and Hino, which recently came close to a joint production deal with Britain's ERF, are clearly concerned to

CONTINUED ON PAGE 2



Left: Advance view of Ford's new Transit during trials in Finland, and (above) the familiar van it will replace. The new Transit enters a sector with many challengers

Japan's penetration of W. Europe purpose-built van market

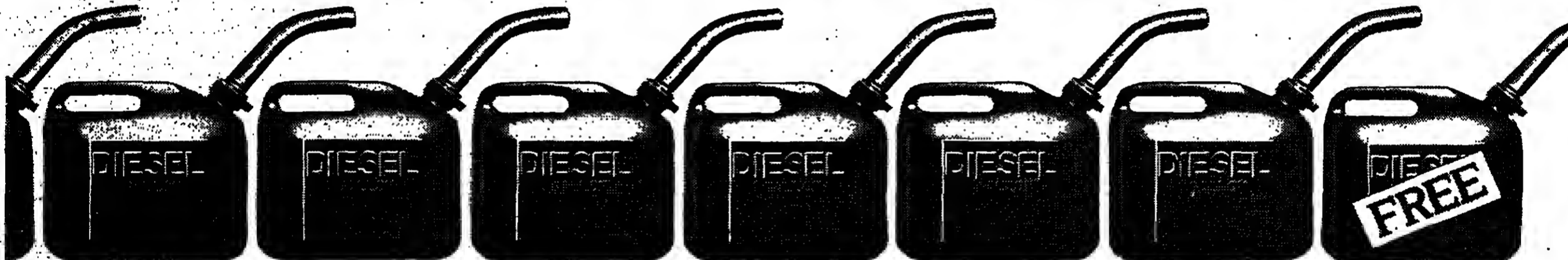
(market share %)	1980	1981	1982	1983	1984	1985
Austria	12.0	23.5	22.0	27.3	27.4	24.3
Belgium/Luxembourg	30.1	36.5	33.7	36.8	37.3	37.1
Denmark	33.2	35.6	37.9	47.0	58.7	53.2
Finland	41.1	52.8	60.4	68.8	68.3	64.4
France	6.7	5.5	6.1	6.4	7.7	6.5
Ireland	47.3	67.3	65.6	67.3	60.1	68.9
Italy	0	0	0	0	0	0
Netherlands	17.5	23.2	21.5	26.9	32.4	32.5
Norway	41.4	43.7	47.2	42.6	51.1	46.0
Portugal	52.2	59.2	49.5	55.1	51.3	50.2
Spain	0	0	0	0	0	0
Sweden	19.5	18.0	22.2	24.8	29.6	29.7
Switzerland	30.1	38.5	40.5	40.1	44.1	40.4
UK	13.2	18.8	12.0	14.6	15.2	14.0
West Germany	4.5	11.7	13.8	19.4	26.1	27.8
Total Western Europe	11.8	16.7	16.4	18.8	21.6	21.1

† First three quarters.

Industry sources.

In this Survey

The UK	2	Profile: Convenco	5
The U.S.	2	Medium size vans	6
West Germany	3	Light trucks	6
Italy	3	Car-derived vans	6
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		Electric vehicles	8



IT'S LIKE HAVING EVERY EIGHTH GALLON FREE.

Don't be deceived by that familiar Transit bonnet line: beneath it lurks an economic miracle.

The first-ever direct injection diesel developed specially for the medium van. Test drive it, and you'll be so impressed by the way the 2.5 litre Di moves you could well miss what doesn't. The fuel gauge.

THE COMPETITION CAN'T COMPETE

Even in mixed driving, semi-laden, Ford calculate a one-tonne Transit Di is capable of 36 mpg.*

Over 25,000 miles – less than a year's driving for many "trucking" vans – such miserly thirst makes the Di about £150 cheaper to run than the next best fuel

efficient van on the market. It really is like having every eighth gallon free.

It's also like having your cake and eating it. So simple is the new engine that it cuts overheads as well as consumption: so efficient is it that all the familiar drawbacks of diesel van operation are removed at a stroke.

MORE POWER FROM LESS FUEL

Gone is the glow-plug, the waiting and wondering about ignition.

Gone, too, is the ponderous two-stage combustion process of indirect injection, which blows so many unburnt hydrocarbons out through the exhaust and gives diesel its "smelly" reputation.

The development by Ford of "swirl" technology (see diagram) enables faster, more thorough mixing of air with fuel, and their combustion a split-second later in the one place where energy can be translated directly into output. The piston crown.

While the Di sips less than any comparable diesel, it revs more freely and develops maximum torque higher in the power band. At the same time, careful choice of gear ratios means that it drives and accelerates like a petrol engine.

As a result, you feel the benefits in the two places that count most: under your right foot and in your wallet.

AWARD-WINNING ECONOMY

To prove it, we've picked up a Design Council award for an engine that "leads the way in which manufacturers will move in future to improve fuel economy."

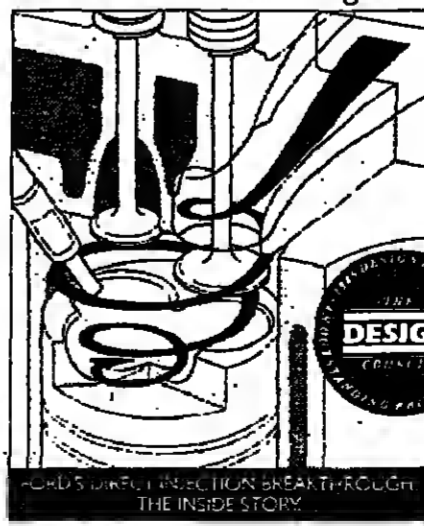
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Vans and Light Trucks 2

PICTURED RIGHT ➔

Above: Bedford's 1 tonne Midi van, based on the Isuzu WFR, is already making its mark. Below: The Renault 4 van, for many years Europe's best-selling commercial vehicle.

Europe's makers face the attack

CONTINUED FROM PAGE 1

maintain a European profile at higher weights."

Meanwhile, there is no doubt about the most important event for Europe's light commercial vehicle sector in the near term. Early next year Ford will launch the replacement for its 20-year-old Transit, for much of its life Europe's best-selling medium van.

During the past five years the Transit has had to cope not just with Japanese competition. There has also been a stream of desirable new vehicles from its European rivals: the new VW Transporter, the Renault Trafic, Fiat's Ducato, the Peugeot J5, Citroen C25 and Talbot Express.

But sales of the Transit have held up relatively well in spite of the intense competition, thanks to Ford's strong and well-spread dealer network in Europe. Transit output actually rose last year, from 88,000 to 89,200 with the help of Ford's direct-injection diesel, launched in the van in April, 1984.

Ford has spent well over \$200m for highly-automated equipment for its van plants at Southampton in Britain and Genk in Belgium to put the new Transit into production. It should be a money well-spent because the company believes the medium van sector will be the fastest-growing in Europe's commercial vehicle market, rising from 641,000 last year to 710,000 in 1990 or possibly—given the right economic circumstances—to 750,000.

The company also predicts that diesel vans will be 1990 take 85 per cent of the business compared with 55 per cent today and that every market in Europe, bar the UK and West Germany, will switch almost entirely to diesel power.

Europe's light commercial sector was relatively weak last year. Output of vans up to 3.5 tonnes gross weight (including car-based vans which Ford did not include in the previously-mentioned forecast) fell last year to 770,000 in the five major production countries (France, Italy, the Netherlands, West Germany and the UK). This was a 6.7 per cent fall from the 82,000 of 1983.

DRI Europe forecasts a recovery to 813,000 this year and then a steady climb to 873,000 by 1990.

Forecasters

Production of light and medium rigid trucks (3.5 to 14.9 tonnes gross weight) was also depressed in 1984 at 150,700 against 157,000 the previous year. DRI reckons that output this year will be about 156,000, rising to 169,500 by 1990.

The forecasters feel that for the foreseeable future light commercial vehicle output in Europe will not return to the 1980 level. In that year the Europeans produced 979,300 vans of up to 3.5 tonnes weight and 245,400 light and medium trucks.

But then came the Japanese onslaught.



Market shares in Western Europe

	1980	1981	1982	1983	1984
Light CVs (000)	253.6	248.2	296.5	434.8	418.8
Renault	24.6	26.7	36.3	33.3	30.1
Peugeot Group	25.2	22.9	29.2	17.2	16.2
Japanese	8.4	8.2	10.1	10.8	11.4
Fiat	18.0	10.5	9.7	10.0	11.1
Ford	4.6	5.5	4.1	4.0	6.5
General Motors	4.6	3.5	4.1	4.9	6.5
Seat	0.5	0.6	1.8	4.7	5.4
BL	7.9	5.8	5.2	6.1	4.7
VW (VAG)	1.0	2.1	2.8	4.0	3.8
Other source	0.1	0.1	0.1	0.2	0.2
Medium CVs (000)	664.6	642.9	637.5	651.6	641.2
Japanese	11.8	16.7	16.4	18.5	21.6
VW (VAG)	20.2	19.5	17.3	18.3	14.9
Ford	15.5	14.8	18.0	14.3	13.4
Peugeot Group	11.1	8.1	10.5	9.8	9.2
Fiat	9.4	5.6	7.9	8.9	9.3
Renault Group	3.3	3.5	4.6	8.6	8.7
Mercedes	2.5	3.1	3.1	3.6	3.6
BL	4.3	3.7	3.6	4.5	4.5
General Motors	6.6	6.2	4.6	3.6	3.6
Mr. Iberica	1.9	1.7	1.5	1.8	1.9
Lada Niva	1.4	0.9	1.1	1.2	1.2
Land Rover Santana	1.3	1.3	1.1	0.6	0.6

Industry sources.

The UK's production

	Car-derived van petrol	Car-derived van diesel	Panel van petrol	Panel van diesel	Light truck petrol	Light truck diesel
	1983	1984	1983	1984	1983	1984
BL	25,145	18,040	—	35,085	25,870	13,180
Ford	21,230	25,580	2,855	47,265	38,495	9,545
GM Bedford	10,920	9,275	4,460	6,635	11,835	10,003
PSA	—	—	—	—	170	139
Renault TI	—	—	—	—	2,495	2,620
Total	57,300	53,192	4,460	9,490	94,355	74,505

Source: FRA.

All eyes on the new Transit

The UK

JOHN GRIFFITHS

THE current state of the UK medium van market could be compared to that of a medieval country facing a change of sovereign. The undisputed king for 20 years, though far from dead, is fading and in not many months will be gone. Parts of the Kingdom are being picked off by would-be usurpers. But amid all their wranglings, they keep glancing uneasily to the South, from where the king's heir will rise.

South lies Southampton, where Ford has invested £4m in sophisticated new facilities to produce the successor to the Transit, currently code-named Trilon.

Throughout much of its life, the Transit had been not only the UK's single best-selling commercial vehicle, but Europe's as well. With considerable help from the economical 2.5 litre direct-injected diesel engine added to the Transit's specification last year (a project which in itself cost Ford £198m), it has retained clear market leadership in the UK ahead of main rivals Freight Rover and Bedford.

Almost certainly, that will remain the case until its successor—which will carry the same name—is launched early next

year. But not even Ford's much-admired marketing abilities have been able to prevent a vehicle which once accounted for almost half the sales in its market sectors from beginning to slip back.

In 1983, the Transit had a 29.9 per cent share of the market for vans of between 1.5 and 2.5 tonnes gross weight and larger versions 47.3 per cent of the 2.5 tonnes sector. Last year, the Transit lost hardly any ground in the lighter sector (28.7 per cent), but the heavier vans fell back to 43.3 per cent.

In the first five months of this year overall, the lighter Transit's share has actually increased slightly—but the 29.8 per cent figure shrouds a plunge of about 25 per cent in both April and May. The larger van's share in the first five months dipped to 40.8 per cent, and to 34.7 per cent in May.

This has taken place, according to some of its rivals, despite Ford, with Renault being among the most active in the market in terms of promotional activities.

The Transit has had to cope not just with advancing age, but with the crowding into the UK marketplace during the past three or four years of an unprecedented number of new rivals.

The threat from Japanese producers has been nowhere near as intense as in other European markets, because of the Anglo-Japanese "gentlemen's agreement" restricting the

Japanese share of the medium van sector to a maximum of 11 per cent.

But apart from a revitalised Freight Rover (BL's specialist vanmaking subsidiary), the Transit has been facing opposition from Volkswagen's Transporter, Renault's Trafic/Master, the Express range from Talbot, the Ducato from Fiat, Peugeot J5, Citroen C25 and a wide range from Mercedes.

Meanwhile, the CF van produced by Bedford, General Motors' UK commercial vehicles arm, is now being complemented by a new 1-tonne van, the Midi (based on Isuzu of Japan's WFR) which, though smaller, already shows signs of stealing sales in the traditional medium van sector.

None of Ford's rivals is under any illusions, however, about the severity of the challenge they will face from the new Transit from early next year. Indicative of Ford's view on the subject is that whereas it built 89,200 Transits last year, it is creating capacity for 135,000 of the new model.

It expects 80 per cent of production to be diesel, in line with its view that diesels will capture virtually the entire European market for medium vans by the end of the decade. Its direct injection unit, a "world first" for a medium van, has a roughly 15 per cent fuel economy advantage over conventional, indirectly-injected diesels. And it has an aerodynamic shape rumoured to slip through the air with the ease

of a car. Mr George Simpson, managing director of Freight Rover, acknowledges it as representing "very formidable competition... but companies like Freight Rover will each respond in their own way."

In Freight Rover's case, that will mean a number of specification changes to its Sherpa range this year, aimed at maintaining the rapid progress the company has made since it came close to being shut down in 1981.

In that year, Freight Rover produced 9,000 vans and had a sector market share of just over 3 per cent. This year, with half the 1981 workforce, it expects to produce about 20,000. Over the past ten to 11 months, Mr Simpson points out, it has been taking about 14 per cent.

A significant contribution has been made by the 210, a larger, wide-bodied version of the Sherpa which extended Freight Rover's market coverage upwards into the 2.5-3.5 tonnes sector. The sector has become an increasingly important one, growing from 28,000 units a year in 1981 to, predicts Mr Simpson, 40,000 units this year.

The growth, he suggests, is partly the result of former operators of light trucks becoming more aware of the carrying capacity of the larger vans and the advantages of not needing an operator's licence up to the 3.5 tonne breakpoint.

Equally, operators who used to run two smaller vans, he suggests, are finding that they can often meet their requirements with a single large van.

Stylists meet family demand for vans

The U.S.

TERRY DODSWORTH

YOUNG, urban professionals, the so-called "yuppies," who are reviled as the "hiredoes" class yet slavishly pursued by every marketing executive in the U.S., have come strangely adventurous tastes.

According to a new study, they now account for more than half of the small van and minivan market in the U.S., two of the fastest-growing market sectors in America's commercial vehicle category.

The study, commissioned by Newsweek magazine, shows that pickups and vans have broken away decisively from their traditional base as work-horse vehicles bought primarily for business purposes. The majority of buyers are from middle-income groups earning about \$35,000 a year. Most are college-educated and a significant number use their vans as the primary household vehicle. Many go to work in them as well.

Remodelled

None of this would have happened without a classic demonstration of supply-side economics—the creation of a market by U.S. manufacturers who developed a range of new products that look very different from their predecessors.

These remodelled vans cover the full gamut of the market, from robust, but modish-styled pickups such as the Ford Ranger and Chevrolet S-10, to the re-designed Jeep range and the growing cluster of minivans.

The combined effect of the renewed interest in these light commercials was to push sales of vehicles in the class 1-3 categories (weighing up to 14,000 lbs, or seven U.S. tonnes) to a record 3.8m units. This total was the highest since 1979, when the industry registered 3.2m sales in these sectors, and just 1m more than in 1984.

Most companies did well with their light conventional trucks, which provide the mainstay of the market. But the most lively action was in the newly-promoted market sectors, such as the compact (ie small) pickup, the compact sport utility vehicles (van-shaped models with full windows like a car), or the compact passenger vans.

In the minivan sector, for example, Chrysler's early success with what was regarded as a daring gamble at the beginning of 1984, has led to booming sales and a market which has grown from nothing to well over 200,000 vehicles last year. The vast majority of those sales were provided by Chrysler itself, with its Caravan and Voyager models, although Toyota sold 34,000 of its imported version. Significantly, about 76 per cent of respondents to the Newsweek questionnaire said they had bought one of the Chrysler versions.

No one in the U.S. ever has the monopoly of a good idea for long, and both General Motors and Ford are now moving in on Chrysler's patch with minivan vehicles of their own. GM's Astro, competitively priced against the \$9,000 Chrysler products, which have been going at a premium over their sticker price, is now on the market.

Ford looks as though it will be at least six months behind its larger competitor with its own Aerostar, an extremely slickly-styled aerodynamic vehicle.

Compact pickups produced just as brightly a picture of last year, as the domestic manufacturers increased their sales from 427,000 units to 547,000, and the importers from 462,000 to 579,000.

There has been a fiercely competitive market since its development as part of the Californian beach club, but it is now beginning to take second place in the growth stakes to the compact sport utility vehicles, where the U.S. producers are fighting another fierce battle with the domestic manufacturers well in the lead for once.

The key products here are the Blazer range from GM, the Ford Bronco II, and American Motors' Cherokee and Wagoneer XJ vehicles. Sales overall soared last year to 429,000 units from 247,000 in the previous year, the sort of growth rate that produces fat margins for manufacturers trying to keep pace with demand.

GM has scored particularly heavily in this market, with sales of its Chevrolet Blazer '85 jumping from 80,000 to 140,000, and of its Jimmy '85 from 15,000 to 33,000. But American Motors, the U.S. affiliate of Renault, has experienced an equally sharp growth curve with its new Cherokee XJ range, which came from virtually nothing in 1983 to sales of 56,000 last year.

Indeed, the Jeep division of American Motors, which makes the Cherokee along with a variety of derivatives of the traditional Jeep range, has suddenly shown signs of

renewed vigour over the last 18 months. Sales practically doubled last year, to 140,000 units, and in the first four months of this year were running comfortably ahead of last year's performance.

The other big newcomer to U.S. production was Nissan, the Japanese company, which in 1984 had its first full year of output from its recently-constructed Smyrna plant in Tennessee. Nissan's pickup sales reached 95,000, and are continuing to grow this year.

So far this year, sales in the light van and pickup sector are continuing well ahead of 1984, with total registrations reaching 1.4m against 1.1m to the end of April. Manufacturers are expecting the pace to slow a little in the second half, and for the year as a whole are forecasting a market only slightly up on last year's at 3.8m units.

Hybrid

After that, they expect a dip in 1986 and then a continuation of strong growth for the light van market, which appears to be emerging as a hybrid between the formerly distinct commercial vehicle and car markets.

The driving force in the development of this new sector, say the marketing men, is the need of many families for vehicles that combine the traditional comfort of a saloon with the versatility and carrying capacity of a small truck or pickup.

Perhaps the key to this change lies in the attention the stylists have given to these sort of vehicles for the first time. They have come up with products that appeal to women as much as men, and therefore have a broader attraction to the average household.

Revealingly enough, Jeep has found that 40 per cent of its drivers today are women, and with more and more women now talking to the roads, the reliability of these vehicles, which often have four-wheel-drive as well, counts heavily in the showrooms.

U.S. sales by sector

	1983	1984
Light conventional	1,065,350	1,268,550
Compact domestic pickup	427,200	547,050
Compact import pickup	461,900	578,585
Specialty pickup	43,765	39,030
Standard sport utility	188,950	331,565
Compact sport utility	249,450	429,240
Standard van	425,145	445,990
Compact van	18	37,450
Standard passenger van	103,630	111,520
Compact passenger van	16,260	202,350
Truck station wagon	07,670	86,055
Total light duty	2,968,425	3,577,680

Source: Ward's Automotive Yearbook.

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Vans and Light Trucks 3

Manufacturers enlist Japan's product strengths

West Germany
JOHN DAVIES

"WHY SHOULD we leave the market to the Japanese without a fight?" Such questions have been confronting motor vehicle executives as competition from Japan and sluggish economic trends have added to pressures in the West German market for smaller commercial vehicles.

As part of its strategy in the face of this challenge, Ford has decided there are advantages in turning to Japan itself to exploit Japanese strengths in the small van sector of the commercial vehicle market. As a result, Ford is currently preparing for its West German launch of the Econovan, made by Mazda, its Japanese associate, in which it has a 25 per cent stake.

The van, with a payload of up to 800 kg, will fill a gap between the car-derived Ford Fiesta Express and Ford Escort Express on the one hand and the Transit vans and transporters on the other. But Ford took the view that it would not be economical to develop and sell such a van just for Europe.

The Econovan is already being offered, with either a Mazda or Ford badge, in Japan, Australia, New Zealand, Malaysia and some other markets. It is to be offered, only under the Ford badge, in West Germany,

Norway and Denmark. Import restrictions prevent it being sold in the UK, France or Italy, the company points out.

The van will be one of the array of vehicles launched by manufacturers at the Frankfurt Show in September. Ford's plans envisage sales of about 5,500 a year in West Germany and perhaps 1,000 a year in Norway and Denmark combined. Ford company statistics show that its share of the total West German market for light- and medium-weight commercial vehicles has slipped from a peak of 15.5 per cent in 1979 to 9 per cent in 1983 and 8.5 per cent last year. The Transits, in their particular sector of the market, had an 8.8 per cent share last year, compared with 9.3 per cent in 1983.

The combination of a sluggish market and more intense competition by Volkswagen's commercial vehicle operations severely in recent years, with production and market share in West Germany coming under pressure.

Output of VW's Type 2 transporters at its Hanover plant declined from 217,875 in 1980 to 155,500 in 1983 but the decline was halted last year, with production edging up slightly to 157,585. Production of the larger LT transporters has fallen from 34,385 in 1980 to 20,980 last year.

Although the West German market is still fairly flat, VW has been finding a revival in

W. Germany's production

	Car-derived van petrol	Car-derived van diesel	Panel van petrol	Panel van diesel	Light truck petrol	Light truck diesel
	1983	1984	1983	1984	1983	1984
Daimler-Benz	—	—	—	—	—	—
Ford	26,166	—	10	—	—	—
GM Opel	11,180	—	5,410	9,320	—	—
Iveco	—	—	—	—	—	—
VW-MAN	3,890	—	1,895	6,855	140	—
Total	41,140	—	7,305	16,190	140	—

Source: PHS.

Italy's production

	Car-derived van petrol	Car-derived van diesel	Panel van petrol	Panel van diesel	Light truck petrol	Light truck diesel
	1983	1984	1983	1984	1983	1984
Alfa Romeo	—	—	—	—	—	—
Fiat-Iveco	6,775	5,548	950	740	—	—
Sevel	—	—	—	—	—	—
PSA	—	—	—	—	—	—
Fiat	6,775	5,548	950	740	—	—
Total	6,775	5,548	950	740	—	—

some export markets, including the UK. In the first three months of this year, production of its Type 2 transporters was running 8.7 per cent ahead of a year earlier at 46,278. LT output was up 10.9 per cent at 6,900.

VW does not envisage any further short-term working, which was a feature of life at the Hanover plant. The number of employees at Hanover (which also produces car engines) has been scaled down from 22,000

to 18,300 over the past four years but VW believes the situation has stabilised.

In a recent move to exploit a useful niche in the market, series production of new VW four-wheel-drive small buses and transporters started up at the works of Steyr-Daimler-Puch at Graz in Austria. Kits for these vehicles are being despatched from VW's Hanover plant. Production has been running recently at about 30 a day, but is expected to be boosted

to 40.

As part of its growing worldwide network, VW also plans to deliver knocked-down kits of small commercial vehicles for assembly at a new factory to be built in Tunisia. The factory, due to start up in mid-1987, will also assemble Golf and Jetta passenger cars. This project, which has VW's support, is actually a joint venture of local Tunisian businessmen, development banks and the VW and Audi importers in Tunisia and

Belgium.

The plant is due to reach production of 2,000 light commercial vehicles and 3,000 passenger cars by the end of 1988. Planning of the project rests with D'Iteren, the Belgian VW and Audi importer, which has the advantage of traditionally close business links with North Africa.

A current problem child for VW is its Caddy pick-up truck, which is produced through TAS in Yugoslavia for the local

Yugoslav market and export markets. In West Germany, the Caddy has not lived up to original expectations and VW has been endeavouring to heighten the market's awareness of the Caddy's potential.

Daimler-Benz is taking steps to modernise the range of light transporters being produced by Mercedes-Benz España, its majority-owned subsidiary in Spain. The vehicles, with payloads between 850 kg and 1,800 kg, are sold in Spain and in more than 20 export markets. The modernised models are due to start rolling off the assembly line at the Vitoria works by the end of next year.

The company is also joining Mitsubishi of Japan in developing a new lightweight model based on the Japanese manufacturer's L300. The vehicle, with a payload of up to 800 kg, will round out the model range in the lighter market sector.

The jointly-developed model is due to go into production in Spain by the end of 1987 and initial output of 10,000 a year is envisaged.

Daimler-Benz says the vehicle is to be marketed in Spain and in "some export markets in Europe and North Africa." Although details have not been finalised, these markets are expected to include France and Italy, but not West Germany. In West Germany, Daimler-Benz's production of transporters of up to 4 tonnes gross weight reached a peak of 53,335 in 1980. After slipping to 44,785 in 1982, output has been moving up again, reaching 46,510 in 1983 and 46,850 last year.

In the first five months of this year, Daimler-Benz's production of transporters of over 2 tonnes and up to 4 tonnes gross weight was running 5 per cent ahead of a year ago. This is substantially above the industry's average performance.

Daimler-Benz has fared relatively well in the difficult markets in recent years, while VW has borne more of the brunt of Japanese pressure. In the small van sector Japan's share has doubled in the past four years, now exceeding a quarter of the total.

Among the Japanese manufacturers intent on the German market, Isuzu has received useful backing from General Motors of the U.S. GM has paved the way for its Japanese associate through dealers who also act for Opel, GM's Russo-Heim-based car subsidiary.

Overall, the West German market for vans and light trucks remains subdued.

New registrations of goods-carrying vehicles of up to 2 tonnes gross weight fell to 12,850 last year from 14,255 in 1983, a 10.1 per cent drop. There was a decline of 5.6 per cent in new registrations of vehicles of over 2 tonnes and up to 4 tonnes gross weight. The total in this sector was 51,330, compared with 54,576 in 1983.



Fiat's successful Ducato, seen here as a passenger carrier.

Foreign makers fight back

Italy

JAMES BUXTON

FOR THE PAST few weeks the Italian media have been jammed with advertisements for one thing—foreign-made vans. The different foreign manufacturers of commercial vehicles are, in their separate ways, assailing the predominance of Fiat Auto in the vans and light-trucks market.

Fiat Auto has an even bigger share of the domestic market for vans than it has of the car market. Its share went up from 40.4 per cent in 1981 to 52.3 per cent in 1983. But by last year it had peaked: the Turin-based company took 52.8 per cent of a market that was in fact fractionally smaller—at 96,873 vehicles—than that of the year before. This year Fiat Auto reckons it is holding its position.

The main reason for Fiat Auto's success in the Italian van market is the Ducato, a 1.3 tonne vehicle which Fiat introduced in late 1981. The Ducato immediately doubled the company's share of this sector—it went up from 26.7 per cent in 1981 to 58 per cent last year.

The Ducato range consists of smart modern vans and light trucks which are produced to a standard of finish usually associated with cars. The Ducato is made in a highly-automated plant at Val di Sangro on the Adriatic coast near Pescara, in a joint venture with the French PSA group. The van is marketed in France with Citroën, Peugeot and Talbot badges.

With the Ducato, Fiat filled a serious gap in its product range—which lacked a diesel van in this sector of the market, despite the fact that diesel fuel in Italy is one third cheaper than petrol.

The Ducato took market share away from Ford (with its Transit) as well as Renault, Bedford and Leyland.

Now the foreign manufacturers are fighting back. Fiat does not at this stage feel very worried—the company argues that when you reach the level of market penetration it had achieved in 1983 you can hardly expect to increase it, especially as competitors bring out new models. But Ford is pushing its new Transit as a direct competitor to the Ducato, and Bedford, Volkswagen and Mercedes are advertising heavily to promote their vans.

And in the smaller sector of the market—that for 500kg vans—the near saturation achieved by the box-like Fiat Fiorino is now being challenged. Citroën has launched its C15 and Ford has put in the Escort. The result is that Fiat Auto's share, which last year slipped to 89 per cent from 87.6 per cent of the year before, is now down to about 81 per cent, on the basis of Fiat's own estimates for the first few months of this year.

In the sector for larger vehicles—those between 1.5 and 1.8 tonnes—Fiat Auto has to confront competition from the Fiat group itself. The Fiat 245 is similar in appearance to the Daily and Granta vans (in the 1.5 to 2.5 tonnes range) produced by Iveco, Fiat's commercial vehicles subsidiary.

Choose

The Granta/Daily range is stronger and many people choosing between it and the older petrol-engined Fiat 242 are inclined to go for the more powerful vehicle. The Fiat 252's share of its sector has declined to about 14 per cent in 1984, compared with 25.9 per cent in 1981.

The Daily/Granta range, on the other hand, has gradually pushed up its market share from 49 per cent of its sector in 1984 to an estimated 54 per cent this year, thanks in part to the introduction of a turbo-charged model.

Out of the 96,875 commercial vehicles sold in Italy last year, almost 51,000 were Fiat's and a further 12,500 were Iveco's. Ford had the next biggest market share with 10.8 per cent of the market, Renault 7.2 per cent, Volkswagen 5.8 per cent, General Motors (which includes Bedford) 4.2 per cent. Leyland sold only 81 vans, winning just 0.1 per cent of the market.

On the European scale, Fiat has pushed its market share up from 6.8 per cent in 1983 to 10.1 per cent last year—in the seven major European countries: Belgium, France, Germany, Italy, Holland, UK, Switzerland and Austria. The credit is given mainly to the Ducato which sells particularly well in West Germany. In France, of course, Fiat is represented only by the Fiorino.

The market share figures put Fiat in fifth place in the European market—behind Renault, Ford, Volkswagen and the Japanese manufacturers.

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The Maestro's 85.8 cubic feet gives it an appreciable 6 cubic feet advantage over its nearest competitor. And a massive 19 cubic feet over its only other serious rival.

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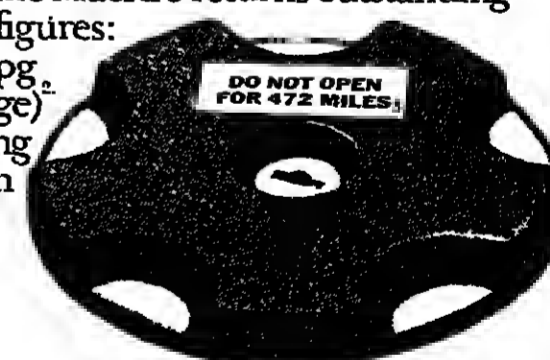
Further

Whatever you use them for, the new Maestro vans will always deliver economy.

With a bigger 12 gallon tank that cuts down the fuel stops, the Maestro returns outstanding

performance figures:

pushing 40 mpg (composite average) whether it's nipping around town or on a long haul across the country.



AUSTIN ROVER



More comfortably

Don't forget the driver

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'light and precise' steering, 'firm and

positive' braking and 'an extremely

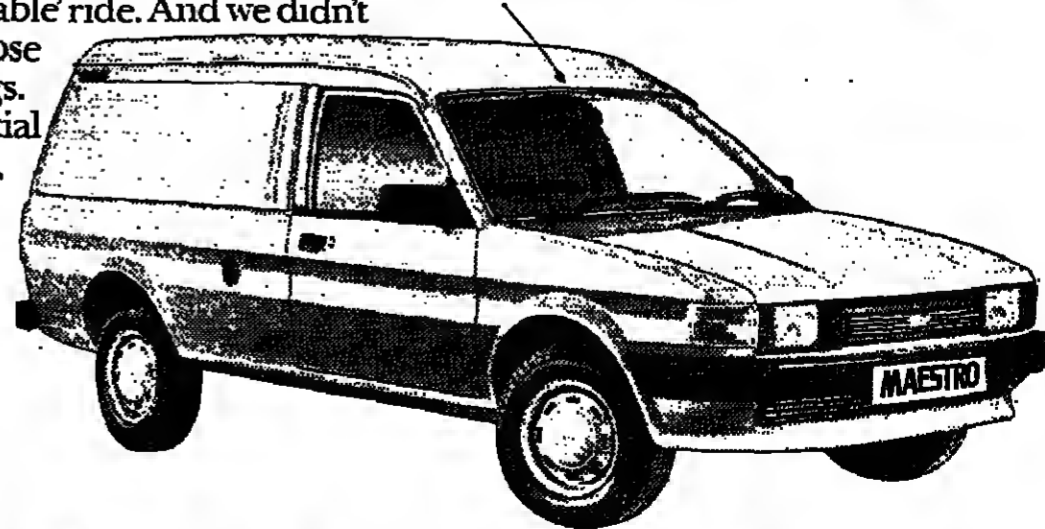
comfortable' ride. And we didn't

say all those

nice things.

'Commercial

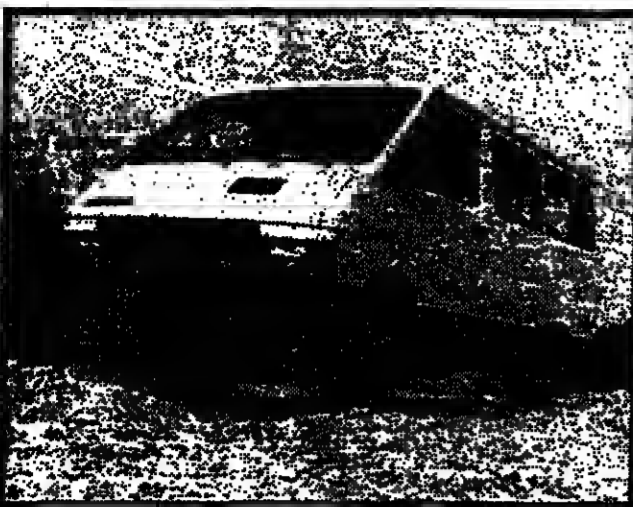
Motor' did.



THE MAESTRO VAN. NOW WE'RE MOTORING

Model shown: Maestro 700L. Prices range from Maestro 500 City at £4137 to Maestro 700L at £4532 excluding VAT, number plates, and delivery. Prices correct at time of going to press. For further information see Prestel page number 344104.1. Manufacturer's Data, 2. Manufacturer's economy figures under half payload: Maestro 500 High Compression: Simulated Urban Cycle 35.2mpg, Steady 50mph: 45.7mpg, Steady 75mph: 32.3mpg. Composite average calculated by combining 40% of the Urban cycle mpg, 50% of the steady 50mph mpg and 10% of the steady 75mph mpg figures. 3. Based on composite average for Maestro 500 High Compression 39.4mpg x 18 gallons = 472.8 mile range. NATIONWIDE CAR RENTALS RESERVATIONS THROUGH BRITISH CAR RENTAL Tel: 0208-77223.

Vans and Light Trucks 4



The Renault Trafic in its 4 x 4 version. Renault's Trafic and Master ranges have made significant inroads into the UK market.

France's production

	Car-derived van petrol	Car-derived van diesel	Panel van petrol	Panel van diesel	Light truck petrol	Light truck diesel
	1983	1984	1983	1984	1983	1984
PSA	75,845	64,325	21,575	29,470	12,600	9,965
Renault	137,535	100,393	8,535	14,635	29,355	27,875
Total	213,380	164,720	30,110	44,105	41,955	37,840

Sources: PSA.

Spain's production

	Car-derived van petrol	Car-derived van diesel	Panel van petrol	Panel van diesel	Light truck petrol	Light truck diesel
	1983	1984	1983	1984	1983	1984
CAF	—	—	—	—	—	—
Daimler-Benz	—	—	—	—	8,222	7,740
ENASA	—	—	—	—	3,679	3,365
Ford	5,885	7,100	—	—	—	—
Nissan	—	—	—	—	13,978	15,040
PSA	20,685	17,570	4,525	10	—	—
Renault	29,513	24,905	—	—	—	—
Santana	—	—	—	—	8,135	6,525
SEAT	26,150	23,580	—	—	5	—
Total	82,235	73,165	4,525	8,145	35,270	32,550

Sources: PSA.

Tax incentives boost sector

THE MARKET in France has continued to perform better than the domestic car market in general. Big tax incentives involving a significantly lower VAT rate of 18.7 per cent for light vans compared to 33 per cent for passenger cars has continued to sustain this market sector despite the slowdown in the domestic market as a whole last year.

However, registrations also fell last year in the French van and light vehicle market by 8.8 per cent compared with the year before, with registrations totalling 315,327 small vehicles in 1984 against 346,319 in 1983. But French carmakers nonetheless found life somewhat easier in this market sector than in the passenger car market.

This was especially true for Renault, the large state-owned car group now experiencing serious financial difficulties having reported record losses of FF 12.55bn (\$1.5bn) for 1984. Renault is now involved in a draconian restructuring programme under its new chairman, M. Georges Besse, involving, among other key aspects, a reduction of 21,000 people in the group's domestic car division by the end of next year and a cut in overall car production to 1.6m a year from more than 2m.

Renault has seen its share of the domestic car market drop from 38.9 per cent in 1981 to 31 per cent last year. However, in the light vans sector, Renault's decline has been less pronounced with its domestic market penetration falling from 48.3 per cent in 1981 to 45.3 per cent last year. But the state group's market share has continued to fall during the first four months of this year to 39.3 per cent of the domestic light van and truck market.

The erosion of Renault's dominant position in France in this sector reflects the inroads made by its domestic rival, Peugeot, the privately owned group which includes the Peugeot, Talbot and Citroën marques. Peugeot and Citroën have had a resounding commercial success with their light van version of the Peugeot 305 supermini and in the case of Citroën with the small C 15. Last year, C 15 van registrations totalled 2,905 and in the first four months of this year the total is already 8,460.

As for the Peugeot 205 version, sales have shot up to 7,035 vehicles in the first five

France

PAUL BETTS

help complete Renault's small car and van range complementing the Renault 4 van, one of the pillars of the state group's van and light vehicle range still commanding nearly 15 per cent of the domestic market.

The Renault 4 van also continued to be the state group's major small van export model accounting for about 43,600 foreign sales out of a total of about 71,500 Renault light van exports.

For the two French car groups, it is the light end of the van and utility (or as they are known in France "petites véhicules utilitaires") market that has shown the greater promise. In the highly competitive small truck sector, Peugeot continues to market a range of Peugeot and Citroën models based on the company's joint truck venture with Fiat in Italy. Renault has a competing range with its Trafic and Master models.

Peugeot is also seeking to expand its van production in new foreign markets, and recently signed a major industrial joint venture agreement with China to produce Peugeot pickup vans and station wagons in Canton.

Japan connection brightens gloomy outlook

Spain

DAVID WHITE

MORE THAN ever, Japan is the buzz word for people in Spain's vans and light trucks sector. Mercedes Benz España found a Japanese partner and Enasa wished it had one. Motor Iberica, the country's biggest producer, thanked its lucky stars that it had Nissan to fall back on.

The outlook for the sector in Spain continues to be un-pleasant and losses are up. The remittingly gloomy. Production Japanese lifeline has become something of a talisman.

Nobody knows this better than Sr Juan Echevarria, chairman of Motor Iberica. He told its annual meeting last month that business was "frankly unfavourable on the economic front." Sr Echevarria then proceeded to extol the support the company had received from Nissan.

For the second year running Motor Iberica's losses were nearly double those of the previous year. In 1983 they had totalled Pts 5.7bn (\$33.1m) and in 1984 they were up to Pts 9.5bn. The company 1984 production total for vans was 16.2 per cent down on the 1983 output and in light trucks it was 26.4 per cent on the previous year.

Gamely, Nissan shouldered

the appalling burden. The Japanese have injected some \$125m into the company during the past 12 months through new share issues and convertible bonds. The investment figure for the past year represents three times the initial outlay by Nissan in Motor Iberica.

Nissan started with a 36 per cent stake in the Spanish company which it acquired in 1980 from Massey-Ferguson. At present the Japanese giant owns 87 per cent of Motor Iberica, a company which remains Spain's biggest vans and light trucks producers as well as the sector's heaviest loser.

Nissan is taking a long-term bet on its four-wheel drive vehicle, the Patrol, and on the Vanette, both of them produced with exports in mind by Motor Iberica. The future involves the progressive introduction of all-Nissan technology to produce wholly Japanese-designed cars in Europe.

The Talisman theme proved relevant for Mercedes Benz España. In March the parent company Daimler-Benz reached an agreement with Mitsubishi over the joint design and production of trucks. The agreement included a Spanish production centre in 1987 for the venture geared to manufacture 10,000 units a year.

Mercedes Benz España, in which Daimler-Benz has a 56 per cent stake against a 25.4 per cent shareholding by the Spanish public sector and one



The Mitsubishi L-300 van which is to be built in Spain by Daimler-Benz.

of 25.9 per cent by the Sandi holding, the Overseas Lending Corporation, has plants in Vitoria as well as Barcelona which is Motor Iberica's operations centre.

Over the past five years Pts 6bn have been pumped into Mercedes Benz España but it has remained a constant loser and was unable last year to make any significant inroads into the Pts 3.5bn it lost in 1983. The company's production of vans dipped by only 30.2 per cent in 1984 against a 27.7 per cent van shortfall in 1983 but those of light trucks plummeted by 18.8 per cent last year whereas in 1983 production of light trucks had been down only by 8.3 per cent against that of 1982.

The third producer of vans and light trucks in Spain is the INI-owned company Enasa which builds the Pegaso

vehicles, more than on envious glance has been cast by Enasa in the direction of Motor Iberica and Mercedes Benz España. The Spanish state-owned company is currently holding talks with Toyota.

It has in fact been a chequered year so far for the Pegaso producers. In January, amid considerable fanfare, the "engagement" was announced between Enasa and General Motors. The Spanish company and the U.S. colossus initiated a memorandum of understanding to "explore possible further business relationships." The Spanish side, the state holding company INI, was anxious for General Motors to take an equity interest in its truck company.

What has occurred is that General Motors has been a less than ardent wooer and has perhaps been turned off by the

pressing attitude shown so far by the Spaniards. INI and Enasa executives have accordingly kept up a scarcely discreet flirtation with Toyota to cover their bets and keep alive their hopes for a lasting partnership.

The guiding principle in the Spanish public sector group is that its automotive division can survive only if it has majority foreign partners. Thus INI is seeking to offload its car producer Seat on to Volkswagen of West Germany. In both the car and the truck divisions it is a question of replacing erstwhile partners—Fiat in the case of Seat and International Harvester in the case of Enasa.

However, Enasa is by all accounts something of a handful where lasting relationships are concerned. The Spanish company is proud of its Pegaso technology and wants to retain it.

In addition, Enasa has complex side relationships of its own which include joint ventures with ZF of West Germany that concern truck transmissions and with DAF of Holland over truck cabs as well as a UK subsidiary in the form of Seddon Atkinson which it acquired last year.

Last year's results were a depressing repeat of the 1983 losses of close on Pts 5bn. The company had hoped to break even but it did manage, at least, to show a positive cash flow. A drastic restructuring and redundancy plan has brought the

company's work force down by 3,000 to 8,600.

However, production figures, which were up in 1983 against 1982, took a decided downturn. Vans were down by 6.4 per cent and light trucks, admittedly not an Enasa priority, plunged by 25.8 per cent.

The Japanese tallman trend-setters at Motor Iberica should nevertheless be taken at their face value. There are signs at the company's Barcelona headquarters of growing irritation with the continuing bad results. "We did not foresee such a serious and long depression," a senior Nissan/Motor Iberica executive said recently.

The Japanese parent company has in fact begun to do what all Spanish loss-making companies have done down the years: it has made a straight appeal to the Spanish Government for soft term state loans to help balance out the massive capital injections it is making in Motor Iberica.

This is certainly not what the Madrid Government expected when it welcomed the Japanese. Nissan's uphill climb to straighten out Motor Iberica and its huge financial charges (Pts 6.8bn went on debt servicing last year) forms a sobering experience for others who might seek to follow in its wake.

Another consideration is Spain's entry into the European Economic Community and the prospect of an end to the prohibitive tariff barriers on imported vehicles.

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Delco Remy

Vans and Light Trucks 5

Japan's output ('000s)

(up to 2 tons loading capacity)

	1984	1983	1982	% ch'ge 1983-84	% ch'ge 1984-85
Midsize vans (up to 550cc):					
Domestic sales	1,265	1,320	1,360	4.4	7.5
Exports	11	11	7	-24.6	-50.0
Production	1,305	1,330	1,367	2.9	4.5
Other light vans:					
Domestic sales	935	930	925	-0.5	-1.1
Exports	1,732	1,530	1,690	-6.2	-7.9
Production	2,045	1,965	1,945	-3.9	-4.9
Total light vans:					
Domestic sales	2,200	2,250	2,285	2.3	3.9
Exports	1,732	1,540	1,697	-6.4	-8.3
Production	2,350	2,295	2,312	-1.6	-1.1

† Forecast

Source: International Motor Business.

Marketing group with worldwide resources

Profile: Convenco

KENNETH GOODING

ISUZU OF JAPAN is building a substantial presence in Western Europe's light commercial vehicle market because it is receiving a great deal of help from General Motors, the world's largest automotive group.

The two companies put up \$1bn between them to establish a joint commercial vehicle marketing organisation called Convenco. GM made available the 6,500-strong car dealer network established over many years throughout Europe by its Opel subsidiary.

GM also is providing Isuzu with another subsidiary, Bedford in Britain—with the means to build some vans in the UK so that they can qualify as "European" products and thus be sold in France, and Italy, markets which almost totally exclude vehicle imports from Japan.

Convenco can even use the Bedford name on Japanese-built Isuzu vehicles if that wins help sales in markets where the British company still has a reasonable reputation but Isuzu is not known.

So far the Convenco project has been a perfect example of a multinational putting its worldwide resources together for its own best advantage in a way not open to companies operating from one national base. And it might well provide a pattern which GM could follow in the future if it decides to bring Japanese cars into Europe for sale through Opel and Vauxhall dealerships.

The relationship between GM and Isuzu is so close that it is difficult to see any independent future for the Japanese concern. GM already has a 34.2 per cent shareholding in Isuzu with the option of taking it to 49 per cent.

But Isuzu is very upset by any suggestion that it is not an independent company. So, when Convenco was established in October 1983 with a headquarters just down the road from Opel in Rüsselsheim, West Germany, Isuzu provided \$400,000 for a 40 per cent stake while GM put up the rest of the \$1m for its 60 per cent share.

In return for this investment Isuzu provides the product, GM provides the distribution. Convenco is part of GM's world truck and bus group, based at Pontiac, Michigan. It has a GM executive, Mr M. "Raz" Razak, in charge, with Mr Koji Ono, formerly with Isuzu, as his deputy.

The new company now employs 11 people at head office and 62 elsewhere in Europe.

Operations started in nine countries: Austria, Belgium, Denmark, Finland, Holland, Norway, Sweden, Switzerland and West Germany. This year Convenco started selling in France, and Italy will soon be added.

Combine

In 1984, according to Mr Ono, Convenco sold nearly 9,500 vehicles, more than half of them—5,000—in West Germany where the company has 120 of its 600 dealers.

So far the change in GM's strategy has not benefited Bedford to any great extent—although GM argues that by combining Bedford with Isuzu on the Continent it gives the UK company a chance to develop a dealer network that it could hope for independently.

However, while the Isuzu light commercials make an ideal addition to the Opel range for any car dealer, the heavier Bedford vehicles require more specialised representation.

In its Bedford version, the Japanese van is called the Midi. It uses engines, transmissions, steering gear and other components from Isuzu's Japanese plants but GM claims the vehicle is more than 60 per cent British by factory value.

Production began in December and Bedford believes it can build and sell 15,000 this year, including 7,000 for export. The company hopes output of the Midi eventually will reach an annual 20,000 with about 45 per

cent going to export markets, by courtesy of Convenco.

Thus GM has taken steps to give Bedford a new product which should help stem the UK subsidiary's losses—£82.4m last year—while at the same time providing Convenco with a key vehicle to tackle the French and Italian markets.

Convenco will also sell in Italy vans derived from the new Opel Kadett/Vauxhall Astra car made in Ellesmere Port on Merseyside by Vauxhall.

The car-derived van arrangements provide another illustration of the way GM attempts to make best use of its European assets.

Vauxhall's Merseyside plant makes the vans for the UK, France, Italy and Ireland while GM Portugal produces them for other parts of Western Europe—plus some versions for Italy. In the UK and Italy the vans are called Bedford but everywhere else they are sold as Opel Kadett vans.

Convenco's success so far has been based mainly on Isuzu's light four-wheel-drive vehicle which it calls the UBS and is sold in Europe as the Trooper.

Most of the Isuzu vehicles Convenco sells are under 3.5 tonnes gross weight and include the KB one-tonne pickup as well as the Trooper and WFR van. (The KB is imported into the UK from Japan with a Bedford badge already on it and sold through Vauxhall-Opel and Bedford outlets.)

However, Isuzu's KT-KS truck range is sold in Switzerland, Finland, Portugal and Greece. The KT-KS vehicles recently were replaced in Japan with the new N-series trucks.

Isuzu was an important part of the "world" car project to produce the "J" car, sold in Europe as the Opel Ascona or Vauxhall Cavalier. At one stage Isuzu was the sole supplier of the front-wheel-drive transmissions for all the "J" cars sold in Europe and today still provides transmissions for the 1.6 litre versions of the Ascona/Cavalier as well as the 1.6 litre models in the Opel Kadett/Vauxhall Astra range.

About 500,000 of the transmissions are built a year at Isuzu's Fujisawa plant which also exports to GM's subsidiary in Australia and Chevrolet in the U.S.

GM also offered another car project to Isuzu. The American group will be short of low-cost small cars for its U.S. dealers until the 1990s so it encouraged Isuzu to develop a small car and to expand assembly and engine facilities to produce it. GM provided a convertible loan of \$200m towards this scheme and, when converted, the extra money will take its shareholding to 50 per cent.

However, the U.S. Government intervened. Isuzu intended to produce an annual 300,000 of the cars and to send 200,000 to GM in the States. But the U.S. and Japanese governments reached a "voluntary export restraint" (VER) agreement which limited total Japanese car shipments to the States for three years from the mid-1980s. Isuzu's quota was fixed at only 50,000 cars.

This set-back sent Isuzu plunging into a net loss for the year to October 1984: ¥17,725bn (\$715m) compared with a ¥5,285bn profit in the previous 12 months.

The restrictions in the U.S. have now been removed and Isuzu is forecasting a net ¥5bn profit for its current financial year.

The other ties with GM include the shipment of medium-duty trucks from 9 to 15 tons for sale through the U.S. group's GMC subsidiary in the States to fill a gap in the GMC range.

Isuzu vehicles are assembled in 21 countries around the world but in most cases in partnership with GM. This includes assembly of Isuzu trucks by GM Portugal, a wholly-owned GM company.

What are the prospects for Convenco? Mr Ono says no targets have yet been fixed. But other observers believe Convenco has a good chance of doubling unit sales in the next year or so and to double them again before 1990 as output of the Bedford-built vans grows and the Isuzu range in Europe is expanded to include light and medium trucks.

A struggle to keep up with demand

Japan

IAN ROBERTSON

PRODUCTION of light vans in Japan hit a new record level of 3.35m units in 1984—up by almost 10 per cent on the level for the previous year. Manufacturers struggled to keep pace with a new peak in domestic demand—up 4 per cent to more than 2.2m vehicles—and a substantial 16 per cent boost in built-up exports to 1.75m units.

There is little evidence of any slackening in the pace so far this year. Results to April show that output has risen by a further 5 per cent, although with the first signs of a downturn in exports, manufacturers are now relying more heavily on domestic demand to maintain this momentum.

The launch of several competitive new products (including 4WD variants), collaborative deals with Western producers, a domestic peak in replacement demand and spiralling sales to the markets of the U.S. and China—all have played a part in Japan's buoyant performance.

But not all manufacturers have shared equally in this success. Among the volume producers, greatest progress has recently been achieved by Toyota and Mitsubishi. Daihatsu and Isuzu (playing a growing role in General Motors' world

truck strategy) are also on an expansionary trend. Nissan is being hard pressed to lift output back to 1981 levels, but it is supported by a growing base of overseas assembly facilities.

A 13 per cent lift in Toyota's output last year can be traced solely to increased exports, headed by the Hi-Lux range. In contrast, Nissan's exports of built-up models fell back in 1984 and the company relied on a moderate advance in domestic sales to maintain production.

After taking over from Toyota in 1982 as leading supplier of commercial vehicles to Japan's domestic market, Suzuki has progressively consolidated its position although Mitsubishi and Daihatsu are now gaining ground.

The introduction of new ST90 van and pickup ranges has assisted Suzuki's sales and the company has capitalised on the surge in domestic demand for microvans. With engines below 550cc, these midsize models have been tailored to the narrow winding streets of Japan's cities. They offer valuable savings in tax and insurance rates and are particularly popular among women drivers.

However, export demand for these microvans is limited—Indonesia, Pakistan and the UK take some units for city deliveries—but in Japan they accounted for 58 per cent of light van sales last year, and they look like underpinning further growth in the market

this year. In contrast, exports of midsize vans are in sharp decline. This has prompted a growing trend towards fitting larger engines in these micro bodies for overseas markets.

The arrival of Subaru's Leone 4WD van is assisting domestic sales. Daihatsu's Delta and Charade vans are gaining ground. And after a sharp fall-back in 1984 production—due largely to a decline in domestic sales of City and Civic Pro models—there is evidence of some recovery in output by Honda.

For leading producer Toyota, output of goods vehicles looks set to breach the 1m mark in 1985. Detail improvements for the Hi-Ace, a further new variant, and a major change for the company's Lite-Ace van are all in the pipeline for early next year. Sales of the Hi-Lux 4WD pickup are booming and sizeable contracts in China are being swelled by additional private exports through Crown Motors of Hong Kong.

Elsewhere, start-up at Toyota's part-owned Dyna assembly plant in India is scheduled for mid-1985. Affiliated Hino is extending its Taiwan facility—also to assemble the Dyna—with car production now under way at Fremont, California, there is obvious potential for Toyota to add a van assembly line to its U.S. plant in the future.

A sharp rise in exports of knockdown kits by Nissan can

be traced to two sources. In May this year the company became the first Japanese producer to manufacture in India with the official opening of the Zaheerabad plant of Allwyn Nissan. About 3,000 examples of the Nissan Atlas van will be produced this year, gearing up to full production capacity of 10,000 units per year in 1989.

And in Spain, production of the Nissan Vanette got under way at Motor Iberica in March. Exports to several European countries, including the UK, France and Italy, are planned for this summer. From an initial 6,400 units, production is to be built up to 15,000 vehicles per year.

In Iran, the decision has just been taken to raise assembly of 2 ton models from 24,000 to 50,000 units per year and substantial changes in the company's pickup range are planned for 1986.

Joint production

Mitsubishi has recently cemented its relationship with Daimler-Benz in a move calculated to boost penetration of Europe's light van sector. Joint production of a model based on Mitsubishi's L300 van (payload 800kgs) is planned from late 1987 at the Vitoria plant of the West German producer's Spanish subsidiary.

In China, Mitsubishi is backing up its export drive by expanding support depots and

technology transfer deals. The company heads the mini commercial market in Taiwan, and in the U.S. an expanded model range promises rapid progress.

Product changes supported a 17 per cent boost in Daihatsu's output to more than 400,000 vans last year. Eighteen months ago, an 850 cc three-cylinder engine became available on the company's 55 Wide van. It was previously only available with a twin-cylinder 550 cc engine. Nine months later the range was expanded further with the addition of 1000 cc and 4WD options, and a 1 litre diesel engine is on the way. An export order for 5,200 vans has recently been secured as part of a deal with China, and there is speculation that U.S. exports could begin by 1987.

The U.S. leisure market is assisting strong sales of Mazda's pickup range. Exports to the U.S. climbed by over 20 per cent in 1984 as a result and model line up was further strengthened in May with the launch of new B3000 pickups and diesel versions of the company's 1 ton panel van. Four wheel-drive versions of the panel van were introduced last November and now 4WD pickups are planned for launch next spring.

A substantial export order for more than 13,000 B1600 vans to Algeria is currently under way, and a further boost is in prospect from next September when Ford begins distribution of Mazda's light vans in

the European markets of Denmark, Norway and West Germany. About 5,000 examples are to be sold each year, with expansion into other markets expected to follow.

With its eye on Japan's expanding minivan market, Honda plans to reintroduce a new line of small vans in September and for both Suzuki and Isuzu, ties with General Motors offer greatest scope for a rapid growth in exports. In the UK, Bedford has already begun assembly of Isuzu's one-box Fargo van—more than 30,500 orders are targeted by 1986—and production of Suzuki's Every van is planned to begin shortly.

For the future, forecasts by The Economist Publications (International Motor Business) indicate that the rapid growth in Japan's microvan sector will ease off from mid-year but this will still substantially outweigh a decline in other light van sales to produce continued net growth in the domestic market.

Exports of midsize trucks are expected to fall back further and after the sizeable surge in export orders achieved in 1984, overseas sales of other light vans are expected to decline.

A levelling off of orders from the U.S. and China is expected to coincide with a decline in shipments to the European Community, Africa and the Middle East. After the record set in 1984, a decline in Japan's production of light vans is now in prospect.

ANOTHER SMALL STEP AHEAD FOR THE RENAULT TRAFIC.



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RENAULT TRAFIC

*Price refers to T1000 Trafic van (correct at time of going to press) and includes fixed push-button radio. Custom cab, heavy duty steel body, side-loading door, laminated windows and factory finish paint. Number plates and delivery extra. The total price of the van will be subject to VAT at standard rate. T1000 Automatic model is now available. RENAULT recommends GHE lubricants.

Vans and Light Trucks 6

Market shares measured against Transit sales

Medium-sized vans

KENNETH GOODING

FORD OF EUROPE'S sales force has been waiting with increasing impatience for the Transit to show in the autumn. But the launch has been allowed to slip by at least six months.

Transit II has been overtaken by Ford's new style of product development. Instead of setting a date for the launch of a vehicle and working hard to hit that target, there is now no fixed introduction date, only a tentative one.

Ford dealers hope the new van, code-named Triton, which will carry forward the Transit names, will live up to expectations.

By all accounts the new vehicle's aerodynamic shape will make it as "slippery" through the air as most cars. And Ford is known to have worked hard to improve the available cubic capacity compared with the old Transit — one area where the old van falls down in comparison with its newer rivals.

In spite of its age, Transit sales have held up relatively well. Output reached 89,200 last year, up from 88,000 in 1983, an increase which reflected the lift given when Ford made its 2.5 litre, direct-injection diesel engine available in the van.

However, the Transit, which once held 20 per cent of the Western European medium van market, has seen its share fall to 14 per cent under pressure from a variety of important new European rivals such as the Renault Trafic, the Fiat Ducato, the Peugeot J5, Citroen C25, Talbot Express and Volkswagen's new Transporter.

Flat used the Ducato, launched in 1981, very effectively to cut the Transit's market share in Italy by half, for example. And, while the Transit has held its own well against the domestic

competition in France, Renault has made major advances in the UK with the Trafic/Master range of medium vans, boosting registrations from 5,000 in 1983 to 7,000 last year and continuing the trend so far in 1985.

Ford is spending heavily to bring the new Transit into production. At the Southampton plant in the UK the bill will be £74m, much of it on highly automated equipment: the factory will have 60 robots and 50 programmable welding units.

At Genk in Belgium, investment in the new van line is \$190m for similar high-technology equipment.

Ford is installing enough capacity to produce the new Transit at the rate of about 135,000 a year and reckons that about 80 per cent of vehicles sold will be powered by the direct-injection diesel engine.

To give some perspective to this figure, Volkswagen, Europe's major producer of medium commercial vehicles, made 157,600 Transports and LT vans last year, up 1.3 per cent from the 155,000 for 1983.

Ford cannot expect an easy ride for the new Transit. There is a continuing price war between the Japanese and VW in West Germany and the Italian and French companies will take action to prevent the Ford vehicle regaining too much ground.

In the UK, BL's Freight Rover has revamped its Sherpa van range ahead of Transit II's introduction and will be making more changes about the time of the Ford launch.

Ford dealers are hoping that the group does not make a similar mess of the Transit II introduction as when the Cargo truck was launched. The company tried to bring too many Cargo models to market in too short a time and early vehicles suffered many technical difficulties as a result.

Word has it that Ford's arch-rival, General Motors of the U.S., will allow the Bedford CF van, its Transit competitor, to soldier on for some time yet. The CF is due to be replaced by GM's "world" van, currently being developed at the world truck and bus group's headquarters at Pontiac, Michigan, with a great deal of input from Bedford in Britain.

At one time the evidence suggested that the "world" van might make its appearance in 1987 or 1988. But the latest indications suggest that the CF's replacement will not be seen before 1990.

GM's aim has been to develop a van which can be marketed around the world through all its subsidiaries with only minor modifications.

GM's aim has been to develop a van which can be marketed around the world through all its subsidiaries with only minor modifications.

There will be a gradual spread of similar, Japanese-type vans into European production.

Daimler-Benz is to produce one based on Mitsubishi's L300 series in Spain and Nissan has introduced the Vanette at its Motor Iberia subsidiary in that country.

The signs are that medium van sales in Western Europe this year are likely to return to the best level since 1980. Ford predicts the total will reach 659,000, up by 17,800 or 2.7 per cent on last year. In 1980 some 664,800 medium vans were sold.

Ford expects only one of the major European markets to show any decline: France could go down from 112,400 last year to 110,000 in 1985. But the UK could rise from 131,000 to 135,000; West Germany from 128,500 to 130,000; Italy from 67,000 to 70,000 and Spain from 31,000, the company forecast.



Leyland's Roadrunner built here as a mini-tanker for delivering domestic fuel oil in rural areas with their narrow lanes

New models crucial to the future

Light trucks

KENNETH GOODING

TWO NEW light trucks made their debuts in Western Europe last year. Not only did they considerably enliven competition in the sector, but each vehicle has a crucial part to play in its manufacturer's future.

In West Germany, Daimler-Benz, the Mercedes group, introduced the LN range of 9.5 to 11 tonne trucks to replace the old LP models. In Britain, Leyland launched its Roadrunner, a 6 to 10 tonner which completes the state-owned group's truck renewal programme.

D-B invested more than DM280m (£72m) in the new LN range to follow the 19-year-old LP trucks. In 1983 D-B produced 20,000 LP vehicles and seven out of 10 of them were delivered to West German customers, to give the group a 68 per cent share of domestic sales in the 6.5 to 11 tonnes sector.

The old LP trucks also provided D-B's huge heavy truck plant at Wuerth with 20 per cent of its total output. Once production of the new

range reaches full steam, D-B estimates it will build and sell 25,000 a year. Sales will be confined mainly to industrialised Western European countries because D-B believes the new vehicles are too up-market and expensive for other territories.

For Leyland, Roadrunner rounds off the overhaul of the range which began nearly six years ago with the introduction of the heavyweight Roadtrain, first of the T45 "Trucks for Europe."

If Roadrunner lives up to Leyland's expectations it should boost the company's UK sales by at least 20 per cent and take it back to leadership of the markets for trucks over 3.5 tonnes gross weight it lost to Ford in 1977.

According to Mr Les Wharton, managing director of Leyland Trucks, the arrival of Roadrunner "is the catalyst which will take Leyland back to viability."

Leyland spent about £10m on Roadrunner which competes in a sector accounting for 30 per cent of UK trucks demand. One in four trucks sold in Britain are of 7.5 tonnes gross weight because this is the heaviest weight of vehicle which may be driven without an HGV (heavy goods vehicle) driving licence.

Leyland hopes to sell about

3,000 Roadrunners this year, a significant jump on the performance of the 15-year-old Terrier, which Roadrunner replaced. About 1,600 Terriers were sold last year.

While D-B's LN range takes over a strong base in its domestic market provided by its predecessor, Roadrunner faces a formidable line-up of competitors, not least the new Mercedes model. Other rivals include the UK-produced Dodge C35, made by Renault Truck Industries, the Bedford TL, from General Motors' British subsidiary, and versions of Ford's Cargo.

Launched

The Cargo is also relatively new in truck industry terms, having been launched only in 1981. Ford invested £12m in the Cargo range, which covers 6 to 25.5 tonnes, mainly spent up to the partners' expectations.

Ford's Cargo got off to a bumpy start because the company admits it tried to introduce the complete range in too short a time. It was too ambitious about its engineering speed and its marketing speed.

Depressed demand in West Germany, and to some extent in other parts of Europe, has dogged the MAN-VW venture since it was launched in 1979.

Forecast production to 1990 — light commercials

(vans up to 3.5 tonnes gross)	1980†	1984†	1985	1986	1990
PRODUCTION					
West Germany	266.2	204.0	210.1	209.6	222.2
France	372.5	305.1	311.1	311.1	340.8
UK	221.8	144.1	160.4	177.3	170.7
Italy	115.9	119.2	127.1	126.1	128.6
Spain	107.1	85.9	88.7	92.0	112.4
Belgium	49.9	35.2	44.5	64.7	57.9
TOTAL	1,136.3	822.3	946.9	981.9	1,058.6
DEMAND					
West Germany	142.8	123.7	125.0	131.8	150.5
France	271.6	286.2	280.1	289.5	312.1
UK	194.2	110.3	115.4	120.2	127.8
Italy	117.9	110.3	115.4	120.2	127.8
Spain	63.4	71.1	73.0	75.2	89.1
Sweden	11.1	13.9	13.9	14.1	15.0
Netherlands	32.4	36.5	34.4	34.3	35.3
Belgium	20.3	12.7	15.8	19.4	22.3
Switzerland	17.6	16.1	16.8	17.4	19.4
Austria	14.6	15.0	15.3	15.8	16.5
Denmark	13.9	26.6	27.6	28.3	28.1
TOTAL	901.2	899.1	923.4	953.1	1,011.2

† Actual registrations.

Source: IRI European Trucks Report.

Renewed battles for leadership

Car-derived vans

KENNETH GOODING

RENAULT, THE state-owned French group is going through a difficult time. It is suffering from record losses, has had a new chairman imposed from outside the group and morale is low. And the group's performance in the car-derived van sector is running true to pre-

In the first quarter of this year Renault lost leadership of the sector in France — where it once appeared to have an unassailable lead — to Citroen, part of the Peugeot group.

Renault's share for many years has never slipped below 55 per cent of total sales and has often been as high as 60 per cent. The group ended 1984 with a 55.1 per cent penetration against 31.2 per cent for the Peugeot-Citroen-Talbot combine.

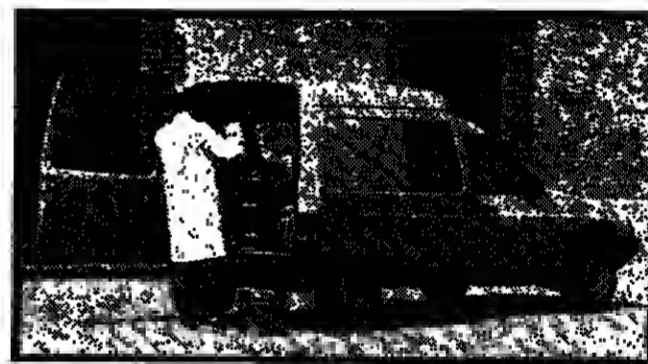
Then the little Citroen Visa van began to emerge. It is a serious commercial vehicle, not just a car with the back seats removed and the windows blanked in. Citroen has developed a purpose-built box body which it claims gives the Visa the largest cubic capacity of any car-derived van. The rear suspension has been beefed up to provide for a payload of 570kg.

The formula seems to be succeeding and in the first three months of 1985 Renault's share of the French car-based van sector was down to 42.5 per cent while the Peugeot group's reached 43.1 per cent.

Current low morale and lack of confidence in the Renault dealer network undoubtedly played some part in the sudden decline but, as often happens in the commercial vehicle business, a new product from a rival company was mainly responsible.

The Visa van was launched in France last October and has particularly dented sales of Renault's redoubtable R4 van, for many years Western Europe's best-selling commercial vehicle. The R4 van at the end of the first quarter of 1984 accounted for 43 per cent of total car-derived van sales in France. At the same time its year share was down to 31 per cent.

Part of the R4's problem was that it has been widely assumed in France that the car on which it is based will shortly go out of production. Latest rumours suggest, however, that it will be kept going for another two years but that Renault has



Citroen's Visa. With its purpose-built box body it is a serious commercial vehicle

dropped its replacement as part of the necessary cost-cutting.

France is by far the largest market in Western Europe for vans derived from cars and demand there has been particularly strong in the early part of 1985. So Renault's swift decline in its domestic market also threatens its position as European leader in the sector.

At the end of the first quarter, Renault's penetration of the Western European car-derived and micro van sector had fallen from 50.1 per cent in 25 per cent while the Peugeot group advanced from 16.2 per cent to 22.1 per cent.

Other new products to make their mark in the car-derived sector recently include the new General Motors' Opel Kadett/Vauxhall Astra van.

Toehold

The van has given GM a better toehold in the relatively small West German market where it previously had very little success. GM is assembling the Opel Kadett version of the van in Portugal for sale in Germany, this helping to keep labour costs down. Low prices are a feature of the German small van market which is dominated by the Japanese producers.

GM had only 1 per cent of the German car-derived van sector at the end of March 1983 but took 3.7 per cent at the same stage this year.

The Opel badge helps give the impression to German customers that the Kadett is a local product even though it is assembled outside the country. Volkswagen also has a relatively new product which is in a similar category. The VW Caddy pick-up is assembled in Yugoslavia but, because final technical tests are made in Germany, the vehicle carries a "made in Germany" label.

The Caddy has an interesting history in that it was designed by VW West Germany for sale in the U.S. market where

picks-ups are big business. However, the vehicle was not competitive and was withdrawn from the States in 1984.

When the new Golf car was introduced in the autumn of 1983 it left VW's 49-per-cent-owned associate in Yugoslavia, TAS Tvernia Automobili, which had been assembling some versions of Golf I, with nothing to make. So the tooling for the pick-up was moved from the U.S. to Yugoslavia and the capacity to produce 50 a day or about 12,000 to 14,000 a year was installed.

TAS, in which the Yugoslavian government has a majority interest, produces the floor pan and rear axle but the other major components are sent from West Germany for assembly. TAS produced about 9,500 Caddys last year of which 4,300 were sold in West Germany.

The entry of the Caddy enabled VW to go from 4 per cent of the car-based van sector in Germany in 1982 to 20.9 per cent the following year and 17.4 per cent in 1984. The pick-up helped VW establish a much higher penetration in some other markets, too, particularly in Switzerland where the German

group was not previously represented in the car-derived van sector but last year took 12 per cent.

Thus a new product has helped VW double its share of the Western European car-derived van sector from 2 per cent to 4 per cent in two years.

Ford also performed well in the sector last year moving up from 7.7 per cent to 9.4 per cent of total European sales — not because of a new van but because the group had a new diesel engine to put in existing Fiesta and Escort vans.

Ford spent \$196m to bring the 1.6 litre diesel into production at its Dagenham plant in the UK, aimed for an annual output of 150,000 and wanted to capture a much bigger share of the diesel car market by offering the new power unit in Fiesta, Escort and Orion models.

The diesels were in short supply last year but Ford's marketing companies around Europe could be told their allocation could be increased in either cars or vans.

As expected, the diesel helped Ford make big progress in Italy where diesel fuel is very cheap. The company's car-derived sales there had been negligible but last year it built its share to 1.3 per cent of total sales and by the end of March 1985 had 2.9 per cent.

Ford believes that total sales of car-derived vans and micro vans in Western Europe (by all manufacturers) will rise steeply this year to about 455,000, up by 8.6 per cent from the 415,000 last year and well above the 435,000 for 1983.

Within the European total, Ford expects sales in France (all manufacturers) to reach 183,000, up from 161,100 last year; those in the UK to be 91,000, up from 88,500; Spain, 55,000, up from 54,400; Italy, 35,000, the same as last year; and those in West Germany to be 27,000, up from 23,900.

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Vans and Light Trucks 7

Jeeps winning the sales war

Four-wheel drive

KENNETH GOODING

JEOP CORPORATION, the company which started the business, was the world's leading producer of light four-wheel-drive vehicles in 1984—reclaiming leadership after a three-year break.

The company's output soared by 133 per cent from the 1983 level following the introduction of its lightweight Cherokee and Wagoneer models—the first new Jeeps for 20 years and developed with financial help from Renault, the state-owned French group.

Renault now owns 46 per cent of American Motors which, in turn, owns Jeep Corporation. The French group has injected about \$500m into AMC in the past five years.

The new Jeep vehicles took five years to develop and are more compact. They weigh nearly 1,000 lbs less than the models they replace and provide substantially improved fuel economy compared with the previous Cherokee and Wagoneer.

They were developed after the oil supply crises of the mid-1970s, which caused the U.S. market for four-wheel-drive vehicles to collapse from more than a million to one-third that number.

AMC-Jeep was not the only

company which rushed into action to produce lighter and smaller four-wheel-drive products while attempting to retain the ruggedness necessary for off-road transport.

Ford did the same for its Bronco and the introduction of the "downsized" version enabled Ford to take world production leadership in 1983.

Ironically, the pressure to provide less-thirsty vehicles has eased considerably in the U.S. because fuel prices have fallen back to pre-crisis levels in real terms.

In 1981 Jeep output was overtaken by production of the Toyota Land Cruiser in Japan, an event which illustrated the progress Japanese manufacturers have made in the all-wheel-drive sector.

Five years ago Japanese makers produced 25 per cent of the world's output of light four-wheel-drive vehicles. By 1981 they had captured 50 per cent.

This was partly because of the sharp decline in demand for such vehicles in the U.S. but also because the Japanese had made a powerful attack on the sector.

While most automotive groups five years ago considered production of four-wheel-drive vehicles as an operation outside their mainstream activities, the Japanese perceived that the vehicles gave them a chance to gain a foothold in some developing markets. In contrast, the U.S. market was restricted but utility vehicles were acceptable.

By sending in some all-wheel-

drive vehicles, the Japanese were able to set up the semblance of distribution networks and prepare for the time—perhaps decades ahead—when they could follow through with ordinary cars.

The Japanese have now changed tack. Faced with restrictions on car imports—voluntary or otherwise—in many industrialised countries around the world, the Japanese are looking for ways of boosting turnover and profit in spite of being unable to increase the number of units they export.

As part of this process they have changed the specifications of their four-wheel-drive models to make them more attractive to people who drive for leisure and pleasure rather than those customers who need tough, all-terrain vehicles.

Mitsubishi's Pajero/Shogun is a good example of this trend—and its production jumped last year.

There was also a big increase in output of the Isuzu UBS, called the Trooper in Western markets. Isuzu launched the Trooper in the U.S.—where Japanese car imports last year were restricted by the voluntary restraint agreement between the two governments—and the dealers sold 15,000 of them.

The Trooper is also making

headway in Western Europe now that General Motors, the world's largest automotive group and which owns 35 per cent of Isuzu, has opened up its Opel car dealer network there to the product.

Other European producers of all-terrain vehicles have been struggling. Daimler-Benz, the Mercedes group, had one of its few major setbacks with the "G" Wagen, originally made in partnership with Steyr-Daimler-Puch of Austria.

D-B hoped for annual sales of at least 10,000 for the "G" wagon but output has languished below 6,000. The West

German group dissolved its production deal with Steyr but the Austrian company still makes the vehicle for D-B to sell with a Mercedes badge in some markets.

Velkswagen's Dais and the Viasa Jeep from Spain appear to have gone out of production last year and output of Fiat's Campagnola is just ticking over.

Land Rover's Spanish associate, Land Rover Santana, is under pressure from Nissan, which acquired Motor Iberica and in 1983 put the Patrol into production in Spain.

Santana has retaliated in the obvious way: it has started producing a Japanese four-wheel-drive vehicle of its own. The small Suzuki Jimny is now being produced by Santana in Spain and was launched at the Barcelona Motor Show in May.

While the Japanese have



Above: Land Rover's new One Ten V8 and (right) the Jeep Wagoneer, all-terrain vehicles very much advanced from their original ancestor, the spartan Army Jeep of the 1939-45 War



time when Japan is challenged by China.

The Beijing Jeep Corporation in Peking is in the process of being revitalised with the help of American Motors-Jeep which has acquired a 31.6 per cent stake in the Chinese company and is contributing technical knowhow. AMC intends to update Beijing's existing model and then introduce as quickly as possible a vehicle based on the small CJ Jeep.

At first engines and other components will be imported from the U.S. but the aim is for every part to be produced in China eventually. AMC reckons it can at least double Beijing's annual output of 20,000 Jeeps within three to four years and to begin exporting.

By combining American knowhow with China's low production costs, AMC hopes to break the grip the Japanese have established in the light four-wheel-drive markets in the Far East.

Light Four-wheel-drive production

	1983	1984
JAPAN		
Toyota: Land Cruiser	124,297	115,048
Blizzard	391	1,383
Nissan Patrol/Safari	39,607	33,269
Daihatsu Taft/Rocky	10,680	14,946
Isuzu UBS/Trooper	19,564	40,120
Mitsubishi: Jeep	2,913	2,290
Pajero/Shogun	29,009	40,875
Suzuki Jimny	86,092	74,625
U.S.		
General Motors: Chevrolet Blazer	35,179	46,919
GMC Jimmy	8,425	9,278
Ford: Bronco	131,203	53,772
Bronco II	—	109,187
American Motors Jeep	75,534	176,276
WESTERN EUROPE		
Fiat Campagnola	1,894	2,253
Daimler-Benz Steyr "G"	5,662	5,532
Land Rover UK (including Range Rover)	46,764	37,447
Land Rover Santana	17,304	13,622
Nissan Spain Patrol	4,507	6,025

Industry sources

Many drivers now seek the comfort and finish they are used to in their own cars

Transit is still the yardstick

Driver's view

ALAN BUNTING

IN THE important up-to-3.5 tonnes gross sector of the commercial vehicle market, whose upper weight boundary is defined by the legislative provisions of Operator's Licensing, driver appeal has a significant influence on buying decisions.

Many light vans and their chassis-cab equivalents—able to accept proprietary van or truck bodywork—are bought by small traders whose employees are primarily car drivers. They tend to apply passenger car standards in selecting the right vehicle for the job.

In the case of car-derived vans, such as those based on the Ford Escort, Vauxhall Astra and Austin Maestro, the cab space follows closely that of the car, though in more spartan form. Simplified instruments, less elaborate trim and cheaper upholstery, often cause unfavourable comment from drivers who know the cars concerned.

This does not apply, however, to vans and related chassis-cabs of 1 tonne payload capacity and above, epitomised by the Ford Transit, Bedford CF and aggressively marketed foreign competitors like the Mercedes 207D, 307D, Volkswagen LT and Renault's Trafic and Master models.

They are judged from a more rational standpoint, by drivers who rightly regard a light commercial vehicle as an item of industrial equipment, designed to carry a load from A to B as effectively as possible.

Nevertheless, most van drivers have their preferences. The Ford Transit, now a 20-year-old design, is seen by many as a datum against which other vans and light chassis-cabs are measured. Its 35 and 44 per cent shares in 1984 of the nominal 1 tonne payload and 3.5 tonnes gross market respectively, force competitors to sit up and take notice of Ford specifications and, of course, pricing.

Among the Transit's driver pluses are its full bonneted layout giving a clear, almost level cab floor, unobstructed except for the central gearlever. A double passenger seat is practical and usable.

Minimal noise

Because the engine is well forward of the cab space, mechanical noise reaching the crew of a Transit is minimal. One should add immediately, however, that in full forward control chassis-cabs, as the Vauxhall Astra and Renault's Trafic and Master models, engines are located between/under the seats, engineering refinement has brought down noise and vibration levels to comparable levels.

So-called custom versions of Transit models are trimmed to higher standards, with bold upholstery colouring and very little painted metal visible.

Drivers getting into a Transit for the first time often complain that the steering wheel feels too small for the size of the vehicle—exactly the opposite criticism levelled at Mercedes-Benz models. German vans and trucks have large diameter steering wheels to

meet legislation in the Federal Republic regarding maximum steering effort.

On the road, all Transits are easy vehicles to drive with vice-free handling, although Ford's choice of a solid beam-type front axle suspended on traditional "cart" springs makes for a truck-like ride. In contrast, the CF from General Motors Bedford has independent coil spring front suspension, giving better ride and cornering characteristics than the Ford.

Differences of opinion on optimum front suspension layout occur, interestingly, among continental manufacturers as well, with Mercedes and VW opting respectively for a solid axle and independent coil springs, up to 3.5 tonnes gross. Leyland's Sherpa range, extended upwards 18 months ago to include 3.5 tonnes gross models (with a wider body/cab shell) follows the Ford philosophy. Sherpas are fully-bonneted, eliminating engine encroachment on crewspace. They also feature a beam front axle with leaf springs.

Full marks are due to Sherpa designers for the cab interior. Trim levels, finish and instrumentation are up with the best that Ford and Bedford offer. But Leyland's contender is let down, in the opinion of many drivers, by indifferent ride and handling.

The Sherpa range, especially the new wide variants, also falls short of its main rivals in terms of powertrain refinement. In-take noise and vibration levels are thought to be unacceptably high for a 1980s design. This shortcoming is particularly apparent in the latest Sherpas powered by the 2.5 litre Land-Rover diesel engine.

Bedford's CF has never seriously challenged the Transit's dominance of the British market, although the latest Mk 2 version, powered by German-made Opel petrol and diesel engines have increased CF penetration significantly in the last 12 months.

Keen pricing for the whole Bedford range has played its part, as well as an overall improvement of the CF specification to enhance its quality against its competitors, especially the Transit. Ford for 20 years now has succeeded in projecting an image of mechanical durability which has the edge on Bedford.

Front-wheel drive (fwd) offers different benefits in a commercial vehicle to those in a car. Loadspace floor level can be lowered by six or eight inches thanks to the absence of a propshaft and rear differential housing.

The Talbot Express and the almost identical Fiat Ducato, which is built in the same Italian plant, are "fwd only" designs going up to 3 tonnes gross. Their success and that of Renault vans is attributable to large measure to the low floor and consequently increased cubic loadspace.

Competitors, notably Ford and Mercedes, have undertaken extensive research and development studies on the fwd versus rwd controversy, coming down firmly in favour of the latter. Rear drive is less costly, simpler from a maintenance point of view and, for gross weights above about 2 tonnes, offers positive traction benefits for fully-laden operation.

From the driving seat the fwd Talbots, Fiats and Renaults have been well accepted in this country. Steering effort is not noticeably heavier than on their rwd counterparts.

THE NEW MIDI HAS SHOWN COMPETITORS THE VALUE OF BEDFORD'S SPECIALISATION.



Often with the launch of a brand-new commercial vehicle buyers initially stay away in droves.

They're hesitant to take on the new against the well-tried.

Not so with Bedford's new Midi 1-tonner. Because not only is the Midi already out-selling the German and Japanese equivalents, but as a new entry is also challenging long-established British makes.

The Luton-built Midi has been as enthusiastically received by motoring journalists as by buyers.

One writer, who drove four Midi vans out of the 16 model range, accurately predicted in the April issue of 'Marketeer,'

"A favourite is just what this new van, the Bedford Midi, will become...It is, absolutely, a little cracker. It is a joy to drive..." The authoritative 'Transport News' concurred that the Midi was "...sturdy, stylish and well-designed..."

As registrations of Midis ably demonstrate, Bedford's position as Britain's biggest commercial vehicle specialists means vehicles better specified to the real needs of operators and buyers alike.

While on top of the Midi's launch success has come increased demand for the Bedford TL truck range.

A recent review of 7½-tonners in 'Transport Engineer' summed up our

own intentions with, "The widest choice that is in tune with operational needs is Bedford's."

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Vans and Light Trucks 8

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Diesels

JOHN GRIFFITHS

LAST YEAR Ford took a major growth of diesels in the medium van market with the launch of a new 2.5 litre diesel engine using direct fuel injection. Ford could reasonably claim it to be a world first, in that direct injection—offering about 15 per cent better fuel consumption and more power compared with a conventional diesel—previously had been used only in large, low-revving engines used to power heavy trucks. The timing of the engine's production was beneficial to Ford, in that it has helped to provide a boost to the Transit van range in which it is fitted during what is proving to be the 20th—and last—year of the Transit's life. It will be replaced at the end of this year by a new model, currently code-named Triton. Armed with that and the new diesel, Ford will then be well-placed to test out its beliefs not only that it should be able to restore its own range to undisputed European leadership in the medium vans sector, but that a diesel version will grow in popularity to the point where it accounts for 60 per cent of

the Transit successor's output. Ford has invested heavily in its belief about the diesel, spending \$158m at Dagenham to expand diesel engine capacity by 30 per cent to 110,000 a year and to bring the new DI unit into production. From those figures, it can be deduced that Ford expects total sales of the Transit's successor to grow to 135,000 units a year. Last year, its Genk, Belgium and Southampton plants built 87,500 between them.

The new vehicle will compete in a sector which, Ford predicted at the DI engine's launch, would turn out to be the fastest growing of all Western Europe's commercial vehicle markets, rising from 647,000 units in 1983 to 710,000 units, or perhaps even 750,000, by 1990.

Of the total, Ford forecast, the share taken by diesel would increase from 55 per cent to 65 per cent over that period, with only the UK and West Germany not witnessing a virtual complete takeover by the diesel.

Statistics from market analysts Planning Research Systems indicate, however, that the diesel's progress may not be quite as rapid as Ford expects. According to PRS's figures, diesel's share of output in 1982-1984 inclusive has remained virtually static at 56-57 per cent, during a period in which total

output of medium vans slipped from 668,000 to 587,360. In West Germany, for example, production of petrol vans increased consistently over the period, but diesels fell back relatively sharply.

French production of petrol vans was also higher in 1984 than two years earlier, while diesel output fell. This may have been a hiccup reflecting diminished concern about fuel prices in 1983, however, as diesel output was on an upward trend at the end of the period while that of petrol units was diminishing.

Diesel output has also dropped back in Spain, although diesels account for a large majority of sales (petrol van output was up).

Where the diesel is making significant headway is in Italy, and proportionately to a lesser extent in the UK.

Italy's production of diesel medium vans last year was more than 17 per cent higher than in 1983, while that of petrol van fell back by just over 20 per cent. Even so, diesel output fell in unit terms last year compared with 1983, to 78,300 from more than 84,000. In the UK, a market where diesel sales have only recently begun to take off in comparison with most Continental markets, output of medium diesel vans last year was only about 200

units up on the 1982 level. However, the 34,675 units produced represent a rise of about 4,000 units—after a dip in 1983 which also affected petrol units—whereas output of petrol units has fallen back consistently, from 99,740 in 1982 to just 74,505 last year.

The UK diesel production gains have fallen entirely to Ford, whose output—largely thanks to the DI unit—rose by 4 per cent, and to Freight Rover, BL's van-producing subsidiary.

Freight Rover's diesel van output jumped by more than 24 per cent to 16,415 compared with a year earlier—placing it well ahead of Ford's 9,925 out of its Southampton plant, although a further 23,889 Transits were produced at Genk.

Launch

Freight Rover's increase is due primarily to the launch last year of a diesel-engined version of the 210, the wide-bodied van, in weights up to 3.5 tonnes which Freight Rover first began selling in petrol-form-only in October 1983. The diesel version is now accounting for 60 per cent of the 210's sales.

The conviction remains widespread that the diesel's penetration will accelerate. In part this is because the attractions of the diesel—which even in indirectly

injected form is about 25 per cent more fuel efficient than a petrol unit (although poorer in on-road performance)—will increase as fuel prices become higher in absolute terms.

But it is seen, too, as a function of actions taken by manufacturers themselves. Initially, as concern about fuel prices grew in the wake of two oil crises, the growth of the diesel was demanded.

But manufacturers have been able to capitalise on that demand base to begin introducing new products which are considerably more attractive in themselves than the earliest, sometimes crude and heavy diesel units. (No less important for cost-conscious operators, the normal price premium required for a diesel over a comparable petrol unit is now being carefully pitched to allow operators to cover the extra investment in months, rather than years).

A sector of the light commercial market where growth has been spectacularly rapid, particularly in the past 18 months, is that comprising light vans—those derived from cars.

In 1982, only 8.9 per cent of the 413,000 car-derived vans produced in Europe that year were diesel-powered. Last year, the proportion had jumped to 19.8 per cent, with actual volumes rising from 37,080 to 82,515, out of total light van production up

only marginally at 416,500 (413,500 in 1982).

Again, a major influence in the growth has been Ford, which spent £196m to bring into production at Dagenham last year its 1.6 litre light diesel with an initial output of 180,000 units a year. Already, capacity is being increased to 205,000 a year, to cater not only for burgeoning demand in the cars sector—where it is fitted to the Fiesta, Escort and Orion—but for the Escort and Fiesta vans.

However, the phenomenon extends right across the industry and provides evidence far more clear-cut even than in the medium vans sector of how manufacturers' innovation can act as a significant spur to demand.

The price premium now demanded for a diesel is such that in many cases it can be recovered in not much more than 20,000 miles. And given the disappearance of its other perceived disadvantages, its benefits to operators when transferred to the car-derived van have become increasingly apparent.

Thus Bedford, for example, which launched its van version of the Kadett/Astra saloon in 1982, quickly found that diesel versions were taking more than 40 per cent of total sales in the UK. Ford is experiencing a similar pattern with its vans.



Former motor racing champion Stirling Moss and world land speed recordholder Richard Noble launch the UK Post Office's major energy-saving drive in a Bedford CF electric van.

Moving towards the market

Electric vehicles

JOHN GRIFFITHS

IN THE U.S., the Tennessee Valley Authority has been freezing a Luton, England-built Bedford CF van at minus 20 dec C for eight hours at a stretch to make sure there are no starting problems. On the streets of Hong Kong, a pair of CFs are shortly to be seen running around in the livery of the China Light and Power utility. Quebec Hydro, the Canadian power utility, is about to start using one, as are authorities in Ontario, Sweden and Denmark.

The CFs are all electric models, guinea pigs in a well-defined strategy by General Motors UK commercial vehicles subsidiary to explore the potential of electric commercials on a fully international basis.

What began as a UK-only initiative, involving collaboration between Bedford and Lucas-Chloride EV Systems on joint development of the CF electric van, now has North America in particular targeted as offering a potential market far in excess of the 4,000 electric vehicles a year which Mr Des Savage, Bedford's marketing director, has suggested could be reached in the UK by the end of the decade.

Bedford's initiative has grown to include GM's world truck and bus division, now the UK company's parent based at Pontiac, Michigan, and the Electric Vehicle Development Corporation of the U.S., an enterprise jointly funded by CFs and North America's major utilities.

Much of the impetus for the international approach has been provided by research indicating that in the U.S. alone, there exists a total of 31m petrol-powered light commercials, which lend themselves to being substituted by "EVs".

This potential is defined by the fact that they have a payload of about one tonne, are used on regular daily routes not exceeding 60 miles, and that they return to an overnight base.

"So you don't need much of a percentage to achieve real volumes," observes Mr Ken Malina, formerly responsible for Bedford sister company Vauxhall's car sales, and who is now Bedford's electric vehicles manager.

It is a post created at the beginning of 1984 when Bedford, claiming a "world first" in putting an electric van into commercial production on normal vehicle assembly lines, rolled its first CF electric out of the Luton plant.

Versions

Strictly speaking, Bedford's claim was correct only in that it was a "world first" for a van. More than two years earlier Dodge, now Renault Truck Industries, had begun building electric versions of its "50" series truck, with a 2-tonne payload, on the "50" assembly lines at Dunstable.

And just a few days after the first electric CF was completed, the first electric Sherpa van came off the Birmingham assembly line of Freight Rover. BL's van-producing subsidiary.

Two main conclusions can be drawn from the activities of these vehicle makers and Lucas-Chloride EV Systems, whose technology and drivetrains are shared by all three:

● That the UK industry can legitimately lay claim to being the world leader in electric vehicle development, in that no other voluntary manufacturers have them in commercial production (not least, however, because many think the EV is still a white elephant).

● And that it is Bedford which is now setting the pace in trying to persuade operators to take them seriously.

The industry remains very much at a fledgling stage, and progress has been distinctly patchy. It was envisaged, for example, that up to 20 a month of the 7.5 tonnes gross Dodge 50 electric truck would be built at Dunstable. Demand has been far below that level.

The few that have been built have gone mainly to electricity authorities, and Renault Truck

Industries currently is building them only on an "as and when" order basis. Leyland Vehicles has also built an electric version of its Roadrunner truck, but it is a prototype and there are no firm plans for commercial production.

Freight Rover has built substantially more electric Shermas—about 150 last year, with an expected 150-200 in this current year. It has been winning some commercial customers for the vans, rather than the utilities and local authorities who hitherto have been the main recipients of the vehicles. One is a London baker. Even so, Freight Rover acknowledged that for the company, EVs remain very much a fringe business.

The most significant order—for Bedford as well as Freight Rover—has been from the Post Office. It has taken delivery of a total of 80 electric vans from the two companies. They are now undergoing trials likely to take at least two years and if, as the PO believes is likely, they show significant cost savings over diesel versions of the vans, it may well replace its fleet of 4,000 diesel panel vans used on fixed delivery rounds with electric ones.

That in itself could create the basis for commercially viable electric van production, in which the current "market entry" subsidy of about £4,000 per vehicle put up by the Department of Trade and Industry to encourage "EV" development could be progressively wound down.

Bedford, however, is not prepared to wait.

A four-stage plan initiated with the production of 179 electric CFs between January and April last year is now on phase two, entailing the current production of a further batch of 125 vehicles. Ninety of this second batch have been sold in the UK. But 30 are finding their way into the U.S. and Canada, under the programme organised with the Electric Vehicle Development Corporation and GM truck and bus.

The vehicles will be used by a number of utilities, providing the opportunity for a skeletal sales and support infrastructure to be set up.

Phase three, says Mr Malina, will take place between the middle of next year and mid-1987, and will involve the supply of a further 1,000 vehicles to utilities.

After that, he indicates, "with a proper infrastructure in place, the whole thing will be opened up to the market." The principal limitations of the electric vehicle remain: restricted range and the need for eight-hour, overnight charging—quite apart from cost considerations.

However, progress is being made. Mr Malina says recent improvements in lead-acid battery technology are giving a 15-20 per cent increase in energy density. That's enough to give the CF a range of 70 miles in favourable circumstances.

Next year, he suggests, the first CF prototype to be fitted with sodium-sulphur batteries developed by Chloride Silent Power should be on the road, with commercial production by 1990. A CF thus equipped, he insists, can expect a range increased significantly to about 150 miles or alternatively payload could be increased to two tonnes.

Mr Malina concedes that "the payback, in operator terms, is not good enough yet"—a reference to the fact that even with the DTTI subsidy the electric CF is expensive in initial purchase terms. Its current price is £8,350—slightly more than a petrol version—to which must be added £2,300 for the battery pack and £975 for the charger. Bedford can argue, however, that batteries should be seen as a fuel, not capital cost. Viewed in that light, the fuel cost of the electric CF is 2p a mile compared with 11p a mile for the petrol version. There is also no road fund licence to pay.

With lower maintenance costs (EVs don't vibrate, significantly increasing reliability) and greater longevity, Bedford maintains that whole life costs are comparable with a diesel van over six years and 65,000-70,000 miles, and that the life of the electric version is considerably longer.

‘NIFTY AND THRIFTY!’



Making regular, punctual deliveries of fine bone china to Concorde requires a special breed of truck.

Dennis James believes he has found it. In the new Mercedes 7½ tonner, the 814.

"This one's been running for 9 months now. Like clockwork."

As his fleet already consisted of fourteen Mercs (from 307s to artics), Dennis was eager to add the 814 as soon as it came on to the market.

"It was just the job," he explains. "There wasn't a van large enough or a truck small enough to fit our needs. We were relying on our dealer to come up with the goods again. He never fails."

"The 814 does a specialist job without demanding an HGV. The driver wants to take it home with him!"

Operating through the night in London traffic to the ins and outs of Heathrow Airport, speak volumes for the 814's manoeuvrability, but how reliable is it?

"It's a Mercedes. I don't even expect anything to go wrong. The fleet made over 26,000 drops last year, over one million kilometres without a major problem. The 814 had a tough act to follow. But it's well on the way. It's done 48,750 kms between here and London so far, at 60 drops a week. And it still averages 18 mpg."

"With the cover of the Mercedes warranty on top, we'd struggle to do without it now."

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